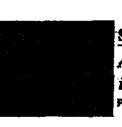


Inpanese finance



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FINANCIAL TIMES

Malaysia poised to lift trade ban on Britain

Europe's Business Newspaper

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P. . J. C. المحدد الدالة Malaysia is poised to lift its ban on UK participation in government contracts imposed in February partly because of fury at British press coverage of the Pergau dam affair. We believe the emhargo could be hifted tomorrow [Thursday]," said a banker close to the Malaysian government. UK businessmen with Malaysian interests are convinced the embargo will be removed by the end of the month. UK MPs issue rebuke, Page 14

Merck and Celitech to sign deal: The biggest US drugs maker is set to announce a deal with Cell-tech to collaborate on an astima drug invented by the UK company. They will be competing with the UK's Glaxo and Seattle-based Icos, who are working on a similar drug. Page 15

Major shuffles the pack: Britain's John Major amounced the biggest shake-up of his premiership, with four cabinet ministers losing their jobs. His aim was to create a team to fight the next election. and his changes suggest a shift to the right. Page 14

Compaq Computer boosted second quarter sales by 53 per cent as the US personal computer manufacturer continued to win market share from competitors. Compaq shipped a record number of computers to reach revenues of \$2.5hn, up from \$1.63hn in the same period of 1993. Page 15

Cholera feared among refugees:



Cholera has claimed its first victims among the million Rwandan refugees crowded into the Zairean town of Goma, western-doctors believe. Jacques de Milliano, head of medical charity Médecins Sans Frontieres, said his medical teams had reported around 120 cases of suspected cholera. If tests confirm the presence of the disease, between 5,000 and 10,000 of the refugees are expected to die of it. Editorial Comment: Page 18

Sears, Roebuck underlying net profits improved by almost 10 per cent to \$503.4m in the second quar-ter. The US retail and insurance group was helped by a surge in stores sales. Page 15

Peres steps into Jordan: Israeli foreign minister Shimon Peres became the first Israeli cablnet minister to be received openly into Jordan. He was welcomed there after peace talks at the border.

Socialists against Santer: The powerful British Labour Party group in the European Parlia-ment is backed by Belgian and French socialists in opposing Jacques Santer as next president of the European Commission. The parliament is due to vote on Mr Santer's candidacy today.

Hospital threatened: An Argentinian hospital treating victims of Monday's bomb at a Jewish centre was partly evacuated because of a bomb threat. A briefcase found at the Buenos Aires hospital was later detonated but it was not clear if it was a bomb. Picture, Page 3

Strike against austerity: About a million Turks staged a one-day strike to protest against the government's economic austerity package.

Fishermen give up trawier: Spanish fishermen have handed a captured French trawler to their government. They seized the vessel in a weekend dispute about drift nets used in tuna fishing.

Donor eggs decision: Britain's Human Fertilisation and Embryology Authority said donated eggs from corpses and aborted foetuses could not be used to treat infertile women but could be used for research. The agency regulates infertility treatment and embryo research.

Citrõen eyes South Africa: French auto maker Citroen is considering building a R400m (\$109m) car assembly plant in South Africa. It is negotiating over a site in former KwaNdebele homeland.

South Africa welcomed back: The Commonwealth formally welcomed South Africa back into its ranks with a celebration at Westmin ster Abbey in London. Archbishop Desmond Tutu addressed the gathering.

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Brussels set to back state aid for ailing Air France

By Emma Tucker in Brussels and John Ridding in Paris

The French government is <u>likely</u> to win European Commission approval next week to grant Air France, the loss-making national carrier, a capital injection of FF120bn (\$3.75bn) in return for relatively mild concessions.

The state aid package, expected to be approved by the Commission on Wednesday, will provide a welcome boost to Prime Ministra ter Edouard Balladur's unpopular

voke protests as well as legal action from the UK government and non-subsidised European Union airlines such as British Airways and the Dutch carrier

A Brussels decision to allow the aid to be paid will be seen as a test case in EU efforts to liberalise the air transport market, and the politically sensitive issue

The conditions attached to the rescue package were discussed yesterday ahead of next Wednessupport of nine of the 17 commis-

The UK government has indito the European Court of Justice

if the aid is approved.
But the commission is likely to argue that the conditions are tough enough to justify the so-called "one-time last-time" capital injection to the ailing airline. The conditions include: · All of the aid must go only to Air France. Air Inter, a subsid-

iary of Air France, must become

arm's length from the main oper-

 The restructuring of the company should be followed by priva-tisation. Air France is one of 21 public sector companies destined for sale by the centre-right government of Mr Balladur but a sale is not expected soon. Air France must sell the hotel chain Meridien, a move which is

already on the cards.

BA is likely to protest that there is nothing to prevent Air

a holding company, to be kept at leasing aircraft from other air-

Another main grievance is that Air France has not sufficiently divested itself of other assets such as property and stakes in ther airlines. Mr David Holmes, director of

government and industry affairs for BA, said yesterday: "Air France is the largest airline in Europe and occupies a central position. We have made a full study of the case which we presented to the commission which says that Air France does not need any subsidies. It should go in for a proper restructuring plan as we did."

Air France said it was hoping for approval of the capital increase as quickly as possible. It said it expects to receive the first tranche of FFriohn as soon as the go-ahead is given by Brussels. Two other trances of FFr5bn are due in mid-1995 and in the follow-

ing year. The French government has lobbied hard for the capital increase because of the political

Greenspan indicates US rates may have to rise

shington and Patrick

Mr Alan Greenspan, US Federal Reserve chairman, signalled yes-terday that further increases in US short-term interest rates may be needed to restrain inflation. But he did not give the impression that the Fed would tighten monetary policy in the near

He said the dollar had been weaker than he expected in the past six months and that was "bad for the economy". However, he indicated the Fed would not let exchange rate considerations determine US monetary policy.

The Fed would continue to focus on domestic goals of solid economic growth and price stability. He said progress on these fronts would "ensure that dollar-

Page 3

■ Fed chief sees moderate economic growth rate

denominated assets remain

attractive to global investors. "It is an open cuestion whether pressures and thus maintain favourable trends in the economy," he told the Senate banking committee. "We are monitoring economic and financial data carefully to assess whether additional

djustments are appropriate." His remarks initially boosted the dollar in New York but it fell back on the view that, even if US rates were increased again, that might depress bond and stock prices, reducing overseas demand for US financial assets. By early afternoon, the dollar was down slightly, at DML 5650 and Y98.90. Mr Greenspan spoke after the

release of figures showing that housing starts fell 10 per cent in June from May, a much higger

are volatile on a monthly basis but this was seen as another sign that higher long-term interest rates are beginning to depress

demand for housing.
While giving the Fed scope to raise rates again, Mr Greenspan made no effort to prepare the ground for a tightening of policy, as he did at the end of January before the Fed embarked on a series of tightening moves that lifted short-term rates from 3 per cent to 4% per cent by late May. He gave the impression instead that the Fed would tighten only if economic growth failed to mod-erate or if the inflation outlook

The Fed had not raised rates at its policy meeting in early July because there was "considerable uncertainty about the page of expansion and the passures of prices' going forward". It saw some recent "hints of moderation in the growth of domestic final demand". However, the balance of evidence indicated that growth remained above its longrun trend" in the second quarter. Mr Greenspan was delivering his twice-yearly Humphrey

Hawkins monetary testimony on our actions to date have been suf- Capitol Hill. He released eco-Fed governors and regional presidents expected more moderate growth and relatively subdued inflation in the next six quarters. The Fed expects economic growth to slow to 2.5-2.75 per cent next year from 2.75-3 per cent this year. Inflation next year was projected at 2.75-3.5 per cent,

> US share and bond prices were unsettled by Mr Greenspan's comments. The 30-year government bond fell about three quarters of a point, pushing up its yield to 7.534 per cent. The Dow Jones Industrial Average was down 14 points to 8,734,39 by

slightly higher"

about the same as in 1994 or



ate banking committee hearing where he said it was "an open ques ned but fell back later on fears arising out of a further prospective US rate rise.

Axel Springer sacks four board members in shake-up

By Judy Dempsey in Berlin

Axel Springer, Germany's largest newspaper group, yesterday sacked four of its seven board members, including Mr Horst Keiser, chairman designate, in one of German industry's biggest ment shake-ups. The announcement, made to

shareholders at the annual general meeting in Berlin, followed months of criticism within the group and the Springer family about the company's strategy. The family holds a 50 per cent stake in the group, which includes Die Welt, the loss-making daily, the mass circulation Bild, and the Berliner Morgen-

post. It also holds a 20 per cent stake in Sat 1 television. The rapidly expanding Kirch Group, headed by Mr Leo Kirch, whose interests include film, television and newspapers, holds a 35 per cent stake in the Springer group, and 40 per cent in Sat 1. Mr Bernhard Servatius, chairman of the supervisory board,

said: "Axel Springer will attempt

to meet the challenges of the markets with a significantly changed board."

Last year Springer had a turnover of DM3.4bn, a fall of 1 per cent on the previous year, and profits of DM71m, a rise of Mr Jürgen Richter, 52, who was due to replace Mr Keiser in a few years, was appointed chairman of ment board.

He will be flanked by three new younger members: Mr Falk Ettwein, 52, chief financial officer, Mr Rudolf Knepper, 49, head of production, and Mr Dieter Pacholski, 54, publishing direc-

Those sacked include Mr Claus

Liesner, chief financial officer, and Mr Hans-Joachim Mark, responsible for technology, both considered the "old guard" in the The Springer shake-up coin-

cides with the rapid expansion of the electronic media, involving new partnerships among Germany's biggest publishing groups and foreign companies. These

Bertelsmann and Mr Rupert Murdoch's News Corporation to take over Vox, the Cologne-based television station which faced liquidation last month.

However, the opposition Social the takeover on the grounds that it would create a "Trojan Channel" in Germany.

Bartier this year, Bertelsmann and the Kirch Group, Germany's two largest investors in private Deutsche Telekom, the state telecommunications monopoly. The partnership will become the doment distributor in the country of the next generation of services, such as pay TV programmes, shopping TV and other specialist channels.

However, the Cartel Office, which claims that this could lead to a monopoly, has passed the proposed venture to the Euroan Commission to investigate.

CONTENTS Equity Options --int. Band Service Managed Funds

LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO © THE FINANCIAL TIMES LIMITED 1994 No 32,424 Week No 29

Chinese telecoms move towards free competition By Andrew Adonis western companies to form joint

China has abolished its telephone monopoly in a step towards allowing western companies to participate in operating networks in the world's largest telecoms market.

The state council has allowed a consortium of three other ministries to build a national telecome network in competition with the ministry of posts and telecommunications, despite strong efforts by the MPT to preserve its

The liberalisation is being driven by the government's ambitious aim of increasing the number of phone lines in China from about 30m to 120m by 2000. Barely two in 100 Chinese have a phone line, compared with 49 per

100 in Hong Kong.

The three ministries - railways, electronic industries and electrical power - this week launched a joint venture called China United Telecommunica-tions (Unicom), with the backing of leading domestic investment groups. Unicom is licensed to provide long-distance telecoms links, and may also have its own local connections.

Nynex, the US regional Bell operator, has signed a memorandum of understanding with one of the ministries involved, which may lead to a joint venture.

Mr Andrew Harrington, Salo-mon Brothers Asia-Pacific telecome analyst, said: "This signals an acceleration of the liberalisation process in China. It could be only months before they allow

in January the ministry of electronic industries was allowed to compete with the MPT in data telecoms services. It set up an operation called Ji Tong, which has formed a joint venture with

Bell South, another US regional operator. Earlier this year the operating and regulatory divisions of the MPT were separated, making it easier for new operators to estab-lish themselves. Last September the People's Liberation Army was allowed to use its radio net-

works for commercial purposes. The market for telecommunications equipment has long been liberalised and most leading western suppliers have produc-

tion facilities in China. In addition to rival ministries, local and regional leaders have also been seeking to break the MPT's stranglehold on telecoms development. Last autumn Mr Huang Ju, mayor of Shanghai, called for joint ventures with western operators to accelerate the building of new lines.

In addition to Nynex and Bell South, AT&T - the largest US operator - is active in Beijing. while Cable & Wireless, the IIR group which holds a majority share of Hongkong Telecom, has been nominated "preferred partner" by the MPT.

Lord Young, C&W chairman held talks in Beijing in March with Mr Jiang Zemin, China's president. He said C&W's first Chinese joint ventures could be agreed by the end of the year.

"I see, you get thirty tons of steel, make a tube. and some wings out of it, slap three hundred people in there and tell them they're going to America.

It's a cute idea Mr Wright but it'll never take off."

Having the capital to back a big idea is only half the secret. Having the vision to spot one is the other half.



High finance

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If not vindicated, certainly a little wiser

The Bundesbank's totems are set to emerge intact, writes Christopher Parkes

he Bundesbank's credibility has been called into question and its monetary management methods have been mocked. But both of these totems, counted among its most prized assets, appear likely to emerge intact from the travails of the past

Mr Hans Tietmeyer, the German central bank's president, may even come through with his reputation as a pragmatic monetarist enhanced. The record of Mr Otmar Issing, the bank's high priest of monetary orthodoxy, may be similarly

Both, together with their fel-lows on the bank's central council, are already a little wiser, and keen on learning

No one wants a repetition of this year's experiences with the bank's main policy guidance system, the M3 monetary aggregate, which went haywire at the turn of the year and is only now settling down. And while the bank's policy-makers seem to enjoy springing sur-prises with the timing of their nterest rate changes, the markets' bewilderment at their last discount rate cut in mid-May is not an experience they want to

Some signs of new thinking says.



may emerge today after the council's mid-year review of M3 performance. But it is already plain the over-riding message will be a re-affirma-tion of faith in monetary targeting. Even though the concept has been dropped in all other leading industrial countries, the Bundesbank insists it is the most reliable indicator of

possible inflation. The M3 components of cash or short-term, easily-accessible savings not safely locked up in long-term bonds or other instruments - so-called monetary capital - are a potential threat to monetary stability, it

Level during month, seasonally adjusted (log-scale)
DM for Target: ... 3.5% to 5.5%

Accordingly, the idea that the bank should welcome news that money supply is expanding at double its intended rate would in normal circumstances be beyond belief. But that was the case on Tuesday this week, when it announced M3 grew in June at an annualised, seasonally-adjusted 11.3 per cent, compared with the

target range of 4-6 per cent. The fact that the result was better than Bundesbank watchers had expected was one reason for satisfaction. But more important, the fact that the figures showed "special factors" that bloated the measure were starting to unwind tended to support Mr Otmar Issing's fundamental belief in the underly-

ing virtues of M3. But the council will today examine a wider horizon than the three percentage point span of this year's target range. Mr Tietmeyer said yes-terday the bank was studying new factors which could influence M3 - "new phenomena stemming from the internationalisation of capital movements".

In the light of widespread scepticism about the usefulness of the measure, it may also contemplate ways of sharpening assessment of the up. Meanwhile - and contrary apparently endless flow of the to its established practice of

The effects of German unification, tax changes and currency market interventions, for example, have conspired to keep M3 off track for the past three years. As Mr Tietmeyer suggested, future shocks are more likely than not as Germany becomes increasingly enmeshed in fast-moving global markets.

One aim of the central council debate will be to sharpen the efficiency of the bank's long-range radar. Another will be to improve internal and external communications. Failings in both departments appeared to catch the bank napping earlier this year, when January's M3 growth figure, a thundering 21.2 per cent, came in accompanied by a bland statement blaming special fac-tors. A sell-off followed in international markets already rattled by fears of rising US inflation. It was not, as Mr Tietmeyer acknowledged, "a

championship performance". But conflicting statements and apparently contradictory actions by the bank were later to compound suspicions that it did not really know what was happening to M3. The liquidity log-jam was refusing to break

distorting "special factors". raising rates to choke off monetary growth and potential inflation - the bank was seen to be cutting them on the basis of a bright short-term inflationary outlook.

The mid-May cut in the discount rate was widely seen as an uncharacteristic gamble by a notoriously conservative institution. That view has moderated now that funds stuck in short-term deposits seem to be moving outside the scope of M3. An emboldened Mr Issing said earlier this week it was now not beyond the bounds of possibility for M3 to end the year at or close to target.

Similarly encouraged, Mr Tietmeyer said yesterday the bank believed there were, so far, no inflationary dangers associated with the latest bout of money supply distortions.
Such comforting comments

will no doubt go down well in still-jittery markets. More com-forting still would be a con-tinuing series of declining M3 numbers for the rest of the year. Even better, and despite recent controversy, another discount rate cut in the interim would be the strongest possible indicator that the Bundesbank had regained its full confidence in M3, and, crucially, in its ability to interpret

EUROPEAN NEWS DIGEST

Bosnian Serb leader warms to peace plan

Mr Radovan Karadzic, the Bosnian Serb leader, yesterday gave a teasing response to the internationally sponsored peace plan by calling it a "good basis for negotiation". His response described by one diplomat as a "yes, and..." - was delivered behind closed doors to representatives of the five-nation contact group in Geneva. The group, consisting of the US, Russia, Britain, France and Germany, had insisted on a clear Yes or No to its proposal for splitting Bosnia 51-49 between the Moslem-Croat alliance and the Serbs. The Moslem-led Bosnian government has accepted the plan, while Mr Karadzic has avoided answering directly. On Tuesday, sources close to the Serbs said they may push for an agreement on the condition that they could have a seat at the United Nations - a demand that would challenge the concept of a single Bosnian state. In Brussels, prospects for intensified use of western air power against the Serbs in Bosnia were clouded after some Nation respects of the view that a freek III.

Nato members expressed the view that a fresh UN mandate would be needed to establish new "exclusion zones". Existing UN resolutions have been used to justify establishment of exclusion zones, where heavy weapons are subject to air strikes, in both Sarajevo and the enclave of Gorazde. Some Nato ambassadors meeting in Brussels yesterday said existing UN mandates did not go far enough to justify more draconian use of air power or extension of the "exclusion zone" principle.

Spain returns trawler to France

The Spanish government yesterday evening defused a political row with France by handing over La Gabrielle, the hijacked tuna trawler, to the French authorities. La Gabrielle had been held since last weekend by Spanish fishermen after violent clashes with their French counterparts over the size of the French trawler's tuna nets. France has since the start of the week been pressing for the return of La Gabrielle. Mr Edouard Balladur, the French prime minister, stepped up the diplomatic pressure by calling at yesterday's cabinet meeting for the "immediate return" of the vessel and stressing that his government would press for "compensation" for its owners. However, a Spanish official, who boarded La Gabrielle on Tuesday, reported that its tuna nets were twice the maximum size of 2.5km permitted under European Union regulations. The Spanish authorities yesterday afternoon persuaded the hijackers to surrender La Gabrielle to them, but stressed that Spain would continue to lobby for the application of EU fishing regulations even after returning the trawler to French hands. Alice Rowsthorn, Paris

Danes move over shipyard aid

The Association of Danish Shipbuilders yesterday sent a writ against the European Commission to the European Court in Luxembourg alleging that the Commission exceeded the terms of an EU directive when it approved German subsidies to shipyards in the former East Germany. The association took action when the Danish government itself decided last Friday not to bring a case. As the writ, challenging a Commission decision of May 11 this year, had to be lodged by midnight last night, the association's writ was sent by courier. The EU's 7th shipbuilding directive approved German subsidies to the eastern shipyards for a total of DM3.2bn (\$2bn), but only on certain conditions: the capacity of the yards had to be reduced and operating subsidies were not to exceed 36 per cent of "normal turnover." The association claims that the capacity of the yards will in fact be expanded very substantially and that the operating subsidies to the MTW shipyard at Wismar, owned by the Bremer Vulkan group, will be 70 per cent of turnover. Hilary Barnes, Copenhagen

Hungary media chiefs named

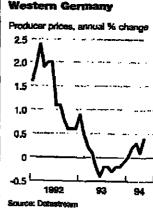
Hungarian President Arpad Goncz has appointed new heads of state television and radio after years of political controversy over broadcasting, his office said yesterday. He accepted nomi nations made by new Socialist Prime Minister Gyula Horn and appointed Adam Horvath president of state television and Janos Sziranyi president of state radio, after consultations with opposition parties broke down. The opposition parties and a group of journalists had appealed to Mr Goncz to delay the appointments. Trade unions and broadcasters' professional groups urged him to go ahead. Many journalist groups in Hungary and abroad have accused the former centre-right government, which was replaced by a socialist-liberal coalition last Friday, of using electronic media to promote itself and attack its adversaries. The new government has proposed that parliament pass a long-stalled media law that would enshrine guarantees of editorial independence for broadcasters and pave the way for partially privatising electronic media, over

Fighting flares in south Russia

Fighting erupted in the breakaway southern Russian region of Chechnya yesterday after opposition forces blew up a highway bridge leading into the capital, Interfax news agency reported. The battle pitted gunmen loyal to President Dzhokar Dudayev against fighters loyal to opposition leader Ruslan Labezanov A clash between the same two groups last month claimed at least 140 lives, including those of nearly 100 non-combatants. Interfax said. Also killed in the June fighting was Mr Labaza-nov's brother. According to Interfax, the opposition leader has worn to avenge his brother's death. Chechnya is famed for its gun-toting clans and has a long history of blood fends and revenge killings. It has severed most economic ties with Russia, and the resulting lawlessness and economic hardship have helped swell the ranks of the opposition in recent months. Mr Dudayev, a former Soviet air force general, was elected president of Chechnya in 1991 and immediately declared the independence of the tiny, mountainous region in southern Russia Since then, the opposition has repeatedly tried to topple him. Associated Press, Moscow

ECONOMIC WATCH

German producer prices ease



0.1 per cent from May, but rose 0.4 per cent from June 1993, the federal statistics office reported. Analysts had predicted a 0.2 per cent increase from May and 0.7 per cent from a year earlier. In May, producer prices rose 0.2 per cent from April and were up 0.4 per cent from a year earlier. Western Germany's

based on cost of living indices, excluding the oil tax rise at the beginning of the year. The bank said the "moderate development" of western German consumer prices in June was an extension of a trend seen in recent months. AP, Wiesbaden

Plans to cut pension benefits will put further strain on shaky cabinet unity

Berlusconi faces another minefield

By Robert Graham in Rome

The bruised unity of Italy's right-wing coalition government faces another tough challenge over plans to cut pension benefits in the 1995 budget.

At a cabinet meeting today Mr Silvio Berlusconi, prime minister, will have to negotiate a delicate compromise on an issue which has caused serious divisions. The three-minister economic team has argued that a large cut in pension benefits will give an essential signal to the financial markets of Italy's determination to tackle the budget deficit.

But others like Mr Clemente Mastella, labour minister, fear a sharp attack on pensions already warned that if suffiwould risk a serious confronta-

The problem of finding the right formula on pensions, plus other cuts in social and health spending, has been one of the main causes of the long delay in formulating the 1995 budget and a three-year macro-economic programme. This delay, in turn, has worried the financial markets and has been a factor in the weakness of the lira over the past three weeks.

The prime minister's office announced yesterday a second cabinet meeting was scheduled for tomorrow. This could mean that all the long-awaited economic policy decisions may not be made known until then. The economic ministers have

cient cuts cannot be found in

public spending, there would be little option but to raise taxes. Last week, the government said it would be building the 1995 budget round a benchmark deficit of L144,000bn (£59.7bn), just below 9 per cent of gross national product.

This would mean finding an extra L40,000bn either in taxes or spending cuts. Otherwise they said, the deficit would move inexorably upwards to L184,000hn. Both Mr Lamberto Dini, treasury minister, and Mr Giulio Tremonti, finance minister, promised last week that fiscal pressure would not rise above the 1993/1994 levels. Instead, they would be relying on spending cuts plus a reorganisation of the tax system to make it more efficient.

funds through a form of tax amnesty by clearing up a backlog of 3.2m contested tax assessment cases. Another source of revenue is expected to be a pardon on illegal property development. The precise terms of the latter are still

But the real source of conflict in recent days has been over pensions. The economic team believes Italy must accelerate the pace at which the retirement age is moved from 55 to to 60 for women and 60 to 65 for men. This could even mean women being retired at the same age as men. The deficit in the state pensions scheme this year is likely to be more than L80,000bn, or half ing a million new jobs.

The unions, who now have more members who are pensioners than active workers, have warned against tamper-ing with benefits. The only evidence of a softening of their stance has been to propose the issue be put aside until autumn. This view has had considerable sympathy from the labour minister, whose

portfolio embraces pensions.

Mr Berlusconi for his part may not wish to follow a path that causes a confrontation with the unions. But the sole alternative acceptable to the nervous financial markets would be higher taxes. His most popular election pledge was lowering taxes and creat

decree, were working normally. How-ever, they indicated that they were reserving their judgment until the text

of the new law was known. Although

they were the only ones to resign, their

stance was backed by colleagues in

other prosecutor's offices all over Italy.

Italy's media, meanwhile, were unan-imous in the view that Mr Silvio Ber-

Reformist **Belarus** cabinet named

By John Lloyd in Moscow

The new president of Belarus has named a cabinet chosen from among the most reformist figures in the country's political class - in contradiction to his campaign promises and his comments immediately after the election.

Mr Alexander Lukashenko was inaugurated as president of the former Soviet state yesterday after a campaign promising closer union with Russia and an end to the privatisation programme as well as to cor-

Mr Lukashenko appointed a banker, Mr Michael Chigir, as his prime minister. In his first news conference, Mr Chigir said: "I stand for market reforms. Belarus cannot be an island among states moving towards market reforms. For the moment I am for state regulated prices, but that is only temporary. I will pursue reforms."

Further, Mr Lukashenko has asked Mr Stanislav Bogdankevich, head of the central bank and the strongest opponent in the previous government of a merger of the Russian and Belarus currencies, to continue

Mr Bogdankevich, previously regarded by Mr Lukashenko as one of a number of corrupt officials he would sack, is also identified with the small and so far weak group of market reformers in the Belarus government.

These moves appear to show that Mr Lukashenko, even more than Mr Leonid Kuchma, the new president of Ukraine elected at the same time, is positioning himself to bring in a quite different policy in government from that laid out to his electors. Mr Kuchma, generally seen as pro-Russian and elected with the support of the Communist and Socialist groups, has since also revealed himself as pro-reform and for the retention of full independence.

However, the plight of both Belarus and Ukraine remains perilous. The two states were heavily dependent on the Soviet military for the purchase of their industrial output. The collapse of defence orders and the rise of energy prices to near world market levels have decimated their industries and living standards.

It now seems likely that they

Jail looms again for released Italians

The Italian government's abrupt about-turn on the controversial issue of preventive detention has left more than 2,000 people wondering whether they will be obliged to return to jail.

Yesterday, the jails were still releasing people in line with the terms of the decree approved by the cabinet last Wednesday that restricted the judiciary's right to arrest and imprison. But this decree is now due to be dropped by mid-August - as soon a new text is endorsed in cabinet and passed through parliament.

Since last Thursday, when the decree came into force 2,137 people have been freed from jails all over Italy. Of these 929 have been confined to house arrest. According to Ansa, the national news

agency, 189 had been held in preventive detention on various charges of corruption and only 125 of these were

under house arrest. The main public outcry has centred on the release from prison of those held on charges linked to the nationwide investigations into corruption. But magistrates said yesterday they were concerned that at some known drug-dealers and criminals had been able to secure release under the decree.

These included a man held ou fraud charges, but alleged to be the personal doctor of Mr Toto Riina, acknowledged head of Cosa Nostra, the umbrella organisation of the Sicilian Mafia. "Each individual public prosecutor's

office will be able to decide on an individual basis whether or not those released will have to go back to corruption magistrates, who resigned

prison," Ms Elena Pacciotti, chairman in protest over the introduction of the of the national magistrates association, was quoted as saying. But she insisted that this case-by-case approach would have to wait until the new law had been approved. The revised law will reinstate cases of corruption involving the public administration as a serious crime: but it is not clear what other crimes will be reclassified as serious.

Lawyers were also divided on whether time now spent under house arrest could be included as part of the time served in prison. Magistrates can hold people in preventive detention for a maximum of three mouths, unless exceptional proof for renewing the imprisonment is accepted by a special civil liberties tribunal.

Yesterday, the team of Milan anti-

lusconi, the prime minister, had suffered a serious setback with such headlines as "Berlusconi surrenders and withdraws decree" and "Isolated and defeated". In a withering frontpage commentary. Mr Eugenio Scalfari, editor of La Repubblica and a declared adversary of the prime minister, said: "What happened yesterday was the lowest point ever touched [in the Republic]."

Balladur puts the squeeze on spending

By John Ridding in Paris

Mr Edouard Balladur, the French prime minister, yesterday ordered ministers to curb their spending requests for 1995 and said that the rise in total government expenditure had to be limited to the expected inflation rate of 1.7 per

His demand, made during meetings with government ministers, represents an attempt to reassure financial

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markets that the government's plans to cut the budget deficit will not be compromised by political pressures ahead of next year's presidential elec-

Mr Balladur warned that failure to stick to the government's five year budget deficit reduction plan could threaten economic growth by putting upward pressure on interest rates. Under the plan, the deficit is targeted at FFr301bn (\$56bn) this year and FFr275bn

last year.

Details of ministerial spend-

ing requests for next year have not been revealed, but are thought to be substantially higher than the funds available. Debt repayments and pay increases for civil servants mean that most ministries will face spending cuts this year. The most difficult ministries are thought to be defence and Political opponents, however, said, in a reference to the

in 1995, compared to FFr315bn were unimpressed by Mr Balla-last year. were unimpressed by Mr Balla-dur's statements. The Socialist party attacked the rise in pub-lic sector debt. "There has been a significant deterioration which does not appear to have achieved anything," the Socialists said in a statement. "Unemployment has grown

in worrying proportions and the spending commitments of the government are only met with difficulty through exceptional receipts," the statement

centre-right government's privatisation programme.
Mr Nicolas Sarkozy, the budget minister, said that letters would now be sent to the various ministries outlining the ceiling for expenditure for next year. The finalisation of the 1995 budget would then be negotiated in the autumn of

"There was unanimous agreement on the need to bring public finances under control,

'Semi-detached' called back home

David Buchan on an ultimatum to civil servants in private industry

The French government is tries which draw their elite quietly rolling back the frontler of state involvement in the private sector. It is giving senior civil servants in privatised companies six months to rejoin the civil service or leave it definitively.

The ultimatum yesterday by Mr André Rossinot, the civil service minister, means that top flight civil servants, or members of the so-called grands corps of state financial inspectors, auditors and lawyers, will no longer be able to choose to work for years on "detachment" in newly private companies while retaining the option to return to the civil service without missing anything in pay or rank. In contrast to other coun-

from universities. France has traditionally trained its elite in administrative schools. Typical is the Ecole Nationale d'Administration (ENA) whose top graduates pass into the grands corps of the Inspectorat des Finances, the Cour des Comptes (the public audit body) and the Conseil d'Etat (which acts as the government's adviser on legislation and top administrative tribu-

After four years' service in these grands corps, these bureaucrats can seek "detachment" to do whatever they want, but with an indefinite return ticket. If for instance, Mr Edouard

Balladur, the prime minister,

tics, he can always return to the Consell d'Etat, as Mr Jacques Attali did last year when he resigned as head of the European Bank for Reconstruction and Development. "By removing this safety net for fonctionnaires in privatised companies," said an aide to Mr

should decide to give up poli-

Rossinot yesterday, "we may be moving towards a more Anglo-Saxon system, perhaps with golden parachutes" large pay-offs to tempt senior civil servants into business.

Mr Rossinot has given civil servants working for companies aiready privatised until the end of the year to make their choice, though those of 10 years' or more standing in the civil service can remain

"at the disposition" of the state with fewer privileges for a further six years. This will affect those at Rhône Poulenc, the chemicals group, Banque Nationale de Paris, and the UAP insurance group - all now in the private sector.

Mr Rossinot's circular is moot in the case of the privatised oil group Elf-Aquitaine, whose president, Mr Philippe Jaffre, has already resigned as an inspecteur des finances and given his 60 colleagues in the same position until May 30 to

make their choice. All but 10 have resigned from the civil service. Mr Jaffré argued it was unfair for many top Elf directors not to share the same career risks as the rest of the company's staff. | between their enterprises.

will seek to negotiate an economic agreement with Russia aimed at ending tariff and customs harriers between them and re-establishing links which the state has a virtual monopoly. Reuter, Budopest

Western Germany's producer price index eased in June by

seasonally adjusted and annualised inflation rate rose by 2.5 points both in the second quarter and first half of this year, the Bundesbank said in its July report. The data are

Italy's public sector delicit narrowed to a provisional L77,000bn (£32bn) in the first five months of this year from L88,665bn in the corresponding period of 1993, the treasury announced yesterday. Tax revenue amounted to L173,996bn in the period, public sector spending totalled L210,447bn, while treasury operations resulted in a deficit of L36,451bn.



initally thanks

Venezuelan probe into medicine pricing Judge arrests drug Company chiefs At the time the has risen sharply. Be

A Venezuelan criminal court judge investigating alleged overpricing of medicines has issued 16 arrest warrants against executives of pharmacentical companies operating in Venezuela, including the subsidiaries of several multinationals

The warrants, issued by Judge Cristobal Ramirez in Caracas, are against executives from companies, including units of Ciba-Geigy, Eli Lilly. Merck, Rhône-Poulenc, Roche, Sandoz and Servier. Most of the executives cited are reported to have turned themselves in to the judge and have been released on bail.

Judge Ramirez, who has said his investigation will affect more pharmaceutical companies, claims that lists of products submitted to the government at the beginning of this year by drug companies contained prices that were inflated

month earlier. At the time, the outgoing government, replaced by the administration of President Rafael Caldera on February 2, was getting ready to order wide-ranging price controls on medicines.

Representatives of drug companies have said the prices submitted before the imposition of price controls contained increases covering a new value added tax (which was later eliminated) and other legitimate cost increases.

Mr Francisco Allende, executive director of Caveme, an industry association that includes the 36 international drug companies operating in Venezuela, said the steady devaluation of Venezuela's currency had hit retail drug prices, since over 70 per cent of the value of products sold in Venezuela are imported.

"We can't live with prices frozen at the level of December 1993, with the dollar reaching as high as 200 bolivars," he said. The dollar cost of imports

has risen sharply. Before exchange controls announced on June 27, the bolivar had fallen to 200 to the dollar, representing a 47 per cent devaluation from the end of 1993.

"Prices of medicines are frozen, but the industry still has to deal with increasing costs for imported raw materials and other inputs, as well as costlier labour," Mr Allende added

One pharmaceutical company executive said: "These charges are seen by many as a witch hunt against the pharmaceutical industry, since they've come at a time when the government is blaming the ess sector for high prices and is trying to bully us into price stability."

Many managers believe the government has helped to create a general anti-business environment in recent weeks, accusing shopkeepers of profi-teering, speculation and hoarding, in an effort to divert blame for the failure of earlier anti-in-



after the bombing of a seven-storey Jewish community centre in Buenos Aires on Monday. The death toll yesterday rose to 33, with 157 people hurt. Israel has blamed Moslem extr

Fed chief sees moderate economic growth rate

By Ken Warn in Washington

The US economy is settling into a pattern of more moderate growth, Mr Alan Greenspan, Federal Reserve chairman, said yesterday in his half-yearly report to Congress.

The Fed forecast real GDP growth of 3-3.25 per cent over this year, unchanged from its February forecast, and 25-2.75 next year. This compares with growth at an annual rate of 7 per cent in the last quarter of 1993 and 3.5 per cent in the first quarter of this year.

"The favourable performance of the economy continued in the first half of 1994," Mr Greenspan said in his gener-ally upbeat prepared testimony to the Senate banking committee. "Economic growth was strong, unemployment fell appreciably, and inflation remained subdued."

Growth should continue at a moderate rate over the next six quarters while inflation should remain subdued, provided appropriate" monetary policies were pursued, he said Inflation is projected at 2.75-3

per cent this year, and little changed or only slightly higher Accompanying those projec-tions, however, Mr Greenspan

gave a detailed rationale for the Fed's succession of monetary tightening moves so far this year and foreshadowed further possible rate rises should the inflation picture show signs of deterioration. "It is an open question

whether our actions to date have been sufficient to head off inflationary pressures and thus naintain favourable trends in the economy," he said.

Reviewing possible danger signals on inflation. Mr Greenspan noted that labour markets had tightened considera-

bly in recent months, while the changing expectations of costs of commodities and materials had climbed, partly reflecting tighter capacity utilisation. Improving economic conditions among the US's trading partners should further

boost demand, he said. However, on the positive side wage rates had not shown persuasive" signs of acceleration so far and consumer price rises excluding food and energy had remained near last year's pace.

In such circumstances the Fed would maintain its vigilance over price acceleration.
"An increase in inflation would come at considerable cost," he warned "We would lose hardwon ground in the fight against inflation expectations ground that would be difficult to recapture later... and harsher actions would eventu-

Fed moves, prompted sharp rises in long-term interest rates over the first half.

On the recent dollar weakness, the Fed chairman said appropriate monetary and economic policy would achieve the goals of solid economic growth and price stability, and ensure that dollar-denominated assets remained attractive to global investors.

Rising interest rates and financial market volatility did not seem to have slowed overall credit flows this year, Mr Greenspan said. Domestic nonfiancial sector debt had grown at an annual rate of 5.25 per cent up till May, well within its 4-8 per cent monitoring range. However, the composition of debt growth was changing, Mr Greenspan said. Expansion of

federal debt had slowed as a

• • • • • • • • • • • • • • • • • • • •		
The Fed's ec	onomic projection	•
	1994	1995
rcentage change:		
ominal GOP	5.50 - 6.00	5.00 - 5.50
sel GDP	3.00 - 3.25	2.50 - 2.75
onsumer price index erage leval:	2.75 - 3.00	2.75 - 3.50
villan unemployment rate	6.00 - 6.25	6.00 - 6.25

upsurge in inflationary insta-

Much of Mr Greenspan's testimony was devoted to recent market volatility. The financial markets were not fully prepared for the Fed's shift from its accommodative stance on interest rates in February, be acknowledged.

This lay behind the Fed's gradualist policy in raising rates. Nonetheless, there was a sharp market reaction to the Fed's first %-point rate rise.

US and abroad, combined with

Evidence of unexpectedly strong economic growth in the

get deficit. Business, housement debt had been growing faster. This indicated that private borrowers had become less cautious about taking on debt and lenders were more comfortable lending.

Nonetheless, the expansion of monetary aggregates remained subdued this year. Looking ahead, the Fed's provisional forecasts for broad money growth show M2 within a 1-5 per cent range for 1995, unchanged from this year, with M3 within an unchanged 0-4 per cent range.

US hints at deadline for Haiti rulers to go

The US yesterday increased the war of words on Haiti's military leaders and appeared to set a deadline of October 1 for them to relinquish power voluntarily.

Mr Bill Gray, the US special envoy, said: "Our expectations are that the 'three stooges' will not be in power" by that date. He was referring to Lt Gen

Racul Cedras, the army chief. Brig Gen Philippe Biamby, army chief of staff, and Lt Col Michel François, who heads the police.

President Bill Clinton himself said a US military invasion was not "inevitable" but he was "now more determined than ever to see that we have a change of leadership down

The administration has,

meanwhile, begun a new round of talks at the United Nations that could lead to the authorisation of a UN peacekeeping force in Haiti, and even UN endorsement of a US-led invasion by a multinational force. However, Congressman Bill Richardson returned from Halti on Tuesday saying that Lt Gen Cedras might be ready "to make a move" to avoid a

After a White House session with Mr Clinton yesterday morning, Mr Richardson said he thought invasion should be "a last resort". Current US policv. he said, "is working, economic sanctions are biting, the refugee policy is also working. I think it's important we be patient." Other congressmen at the meeting reported no sense of an imminent US invasion. But Mr Gray, who earlier

timetable for the restoration of democracy, ruled We are only open to one

negotiation; when are you leaving?" he said. He was also dismissive about popular US opposition to an invasion. "You don't make foreign policy by polls," he

Study gives boost to Clinton healthcare plan

By Jeremy Kahn

The US Treasury yesterday provided ammunition for the administration's healthcare reform initiative, with a report that 84 per cent of the 37m Americans without health insurance were from working

The Treasury defined working families as those in Which least one spouse had manent full-time job. "The bottom line: the unin-

sured are your middle-income working neighbours," said Mr Lloyd Bentsen, Treasury secretary, as he announced the results of the Treasury study.

Mr Bentsen said the administration hoped these findings would dispel the myth that the uninsured are poor, or disa-

The average uninsured family has an income of \$30,000

(£19,700), well above the federal definition of poverty, says the report, which also finds that close to 25 per cent of uninsured Americans are children. "Millions of children across

'The uninsured are your middle-income neighbours'

this country have no insurance," Mr Bentsen said. "Children don't hire lobbyists. They don't have anyone to speak for them in this debate, but they are the ones most vulnerable.' As Congress nears the legislative phase of healthcare reform, Mr Bentsen and President Bill Clinton moved to clarify statements made by Mr

Clinton yesterday. Mr Clinton had said that while his goal was for "miversal coverage" he would accept a reform package that "moved towards" universal coverage

"I don't see the president backing down," Mr Bentsen said. "I think universal coverage, when you define what we are talking about, is guarantee ing the right to every American of insurance."

administration "preferred" to achieve such coverage by making it mandatory for employers to pay to insure their workers but the president would accept an alternative proposal if it still covered all Americans.

Mr Bentsen was confiden ssional leaders could be convinced to pass healthcare reform this year, but he refused to comment or whether the administration's initiative could be passed.



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THE NATIONAL GRID COMPANY pic, NATIONAL GRID HOUSE, KIRBY CORNER ROAD, COVENTRY CW & In this historic year the King Protes flower has been adopted as the symbol of South African unity and of the South African crickel team.

If the rainforests are

trees a minute, how can planting just a handful of seedlings make a difference? A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people

being destroyed at

the rate of thousands of

that can force them to chop down trees. Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, ear papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia lotea trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

and burn" farming methods. New tracts of tropical forest would then have to be cleared every two or three years. This unnecessary destruction can be prevented by

soil is exhausted

very quickly by "slash

combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again. In La Planada, Colombia, our experimental farm

demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of

natural resources should be sustainable. WWF is calling for the rate of deforestation in the

tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature

International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

Peres breaks 46-year Jordan taboo

Dead Sea, Jordan

Another taboo in Middle Eastern politics was broken yesterday when Mr Shimon Peres, Israel's foreign minister, crossed the border from Israel to Jordan to hold peace talks with Mr Abdul-Salamal-Majali, the Jordanian prime minister, and Mr Warren Christopher. US secretary of state, on the shores of the Dead Sea.

Mr Peres flew in from Jerusalem in a military helicopter to become the first Israeli cabinet minister to be received openly in the kingdom. "It took us 15 minutes to fly over but 46 years to arrive to this place of peace and promise." he said on

The talks are the fifth in a series of trilateral negotiations which began last October to focus on areas of economic and infrastructural co-operation between Jordan and Israel.

They come a day after the close of bilateral border talks on land and water rights and less than a week before Jordan's King Hussein is due to meet Mr Yitzhak Rabin, the Israeli prime minister, in

All three parties emphasised the historical importance of the meeting, saying it was a critical step on the path towards peace between the two countries. Mr Peres said that a similar meeting had been suggested six months ago but "at the time seemed an impossibility"

Mr Christopher said that now the ice had been broken, "high-level negotiations could take place regularly." But having just arrived from

Damascus he was careful to stress that progress on the Jor-danian track would not be to the exclusion of Syria, where he is due to return tomorrow. Mr Peres described the planned summit between the Jordanian king and Israeli premier as "the start of a new era" in Jordanian-Israeli rela-

tions, and Mr Majali, who was acting in his role as foreign minister, did not rule out the signing of some kind of agreement or declaration in Wash-However, he warned against

treaty between the two sides would be signed soon. Instead, peace would come in stages: "Like a book, the peace

will come in chapters. Only when all the chapters have been written can a full peace treaty be signed. Although this is not to say that along the way each chapter can be put

Manila agrees

\$469m debt deal



Israelis and Palestinians sing and chant peace slogans (above) as Israeli and Jordanian flags are waved during demonstrations supporting the peace process in Jordan attended by Warren Christopher (below left) and King Hussein.



into practice." he said. Earlier in the day, King Hus- to benefit both countries. soon as it is possible. But not next week."

Concrete agreements at the end of the talks were limited to further studies on future proiects and economic co-opera-A master plan to develop the Jordan Valley into a joint

tion, including:

national heritage park.

tourism which will include opening a crossing-point between Aqaba and Eilat, on the Red Sea, for third-country nationals.

• A site survey for a road linking Jordan, Israel and Egypt along the Gulf of Mr Peres spoke optimisti-

• A study of aviation routes cally of open borders, trade and skies in the future where "farms replace soldiers and greenhouses replace army barracks."

He said that the border dis-

pute in which Israel occupies

around 380 square kilometres

of Jordanian land was near res olution: "We can mark out ithe border] now while respecting the sovereignty of both sides,

252 detained as strike hits Nepal

By Jose Galang in Manila

The Philippines has concluded an agreement for the rescheduling of \$469m (£308m) worth of debts from its Paris Club of official creditors, the government announced yesterday. The rescheduling, agreed in Paris, follows the approval on June 24 by the International Monetary Fund of a \$685m

credit package to support the country's growth-oriented economic programme for the period to June 1997. It also precedes a meeting today, also in Paris, of the consultative group that co-ordinates a World Bank-led multi-

lateral assistance programme for the Philippines. Pledges of some \$2bn conces-

sional loans and grants are

The Hong Kong government

year to introduce comprehen-

sive legislation to outlaw dis-

crimination against people

Mrs Elizabeth Wong, the col-

By Simon Holberton

in Hong Kong

with disabilities

ages, the Philippines now stands "on the threshold of a full and dramatic recovery, Mr Roberto de Ocampo, the finance secretary, said. The rescheduling, Mr de

With these financial pack-

expected at the meeting.

Ocampo said, supports "the soft-landing approach to the country's exit from exceptional financing...to achieve growth consistent with sustainable external accounts primarily supported by voluntary flows." The economy grew by 4.8 per cent in the first quarter of

this year, a big jump from 0.3 per cent in the same period last year.
This has led to expectations that the 4.5 per cent growth targeted for the full-year will

Disabled to have redress

Nepali police vesterday on as caretaker. detained 252 people who were enforcing a communist-sponsored nationwide strike that paralysed the capital Kathmandu and most of the country, agencies report from Kath-

An interior ministry spokesman said demonstrators demanding that Mr Girija Prasad Koirala, caretaker prime minister, leave office damaged 15 state-owned commuter buses, a police van and a car with Indian licence plates in the capital. The strike brought Kathmandu to a standstill. Mr Koirala, 70, Nepal's first

democratically-elected leader in three decades, resigned on July 10 after losing a policy vote in parliament, but was asked by King Birendra to stay

The communist-led opposition demanded that Mr Koirala leave office so that he cannot influence the outcome of the general election scheduled for November 13. At least 20,000 people gathered near the royal

palace to back the call. Mr Koirala's government collapsed because of infighting in his Nepali Congress party, but many Nepalis are also frustrated that democracy has not done more to alleviate the country's poverty.

The opposition demands that King Birendra, who gave up his absolute powers to become a constitutional monarch in 1990 after a bloody pro-democracy campaign, appoint a government of national unity to oversee the elections.

Beijing settles on

Taipei and Beijing have finally settled on a date for a fresh round of talks, the first since the March 31 murders of 24 Taiwan tourists in eastern

Following weeks of face-sav-

(Arets) A sixth round of workinglevel talks on fishing disputes and repatriation of illegal immigrants and airline bijackers will be followed by a secoud round of meetings BOJ QUARTERLY ECONOMIC REPORT

Japan heads for recovery

By Gerard Baker in Tokyo

The Japanese economy is at last headed for recovery, the Bank of Japan said in its quarterly economic report published yesterday.

Buoyed by rising consumption, fiscal and monetary policy stimuli and expansion in overseas markets, Japanese business was emerging from the long recession, the central bank said. But it warned that the pace of recovery would be slow as private sector investment remained weak and unemployment drifted upward.

Most components of aggre-gate demand would support porate indebtedness continued

the economy had "stopped

months it has become much

more optimistic about the pros-

pects for recovery. Yesterday's report underlined its sanguine

rise of the yen against the dol-

lar might not be as damaging

as some industrialists have

feared, since it could be offset

by world economic recovery

declining", but in recent view. It said the recent sharp the latter part of the year. Only exports were expected

and cost-cutting in Japanese

In its last report issued in recovery in the current year, April, the Bank said only that according to the Bank. Income tax cuts and price stability would bolster personal consumption. Public sector investment was rising, and even private sector investment, which has been particularly sluggish in the last three years, was expected to stop declining in

> to show a decline as manufacturing production continued to shift overseas.

The risks to the recovery

investment, and import penetration of Japanese markets posed a threat to companies'

In a separate report yester day, the research institute at the Long-Term Credit Bank of Japan said it was raising its forecast for growth in the current year to 0.7 per cent from minus 0.2 per cent in its last forecast in January. The institute said the improved prospects were due to stronger than expected recovery in personal consumption and robust

PM in change of military

By William Dawkins in Tokyo

Japan's new socialist prime minister vesterday formally declared the military to be constitutional, an historic retreat from his party's deep pacifism.

Mr Tomiichi Murayama was greeted by shouts and applause in parliament, where he announced his political about-turn. It came in response to a question from Mr Tsutomu Hata, his predecessor, who was needling him for forcing Mr Hata's resignation three weeks ago. Mr Hata, a firm supporter of the selfdefence forces, stepped down rather than face a no-confidence vote from Mr Murayama's Social Democratic party and the conservative Liberal

"Please listen to this carefully," Mr Murayama told the chamber. "As long as we keep the defence-only posture and as long as they are kept at a minimum, the Self-Defence Forces are constitutional."

Mr Murayama's remarks will be greeted with relief by the armed forces, of which he automatically became commander in chief on taking the prime ministership.

Under nearly four decades of LDP rule, Japan grew to become the world's largest defence spender after the US, if military pensions are included. This is despite rticle nine of Japan's 1946 constitution, which says land, sea and air forces, as well as other war potential, will never be maintained."

Officially, the SDP takes the constitution literally, though its moderate leadership has long admitted that the party's anti-military stance is unreal-

This is the latest sign of SDP leaders' willingness to abandon party principles in the interests of staying in the government coalition with the LDP, which brought Mr Murayama to power as the first socialist prime minister in 47 years.



Japanese frugality heart over comes under threat

Finance ministry officials are trying to prevent an explosion of state debt, writes William Dawkins

apan's finance ministry is struggling to prevent the new government from det-onating what officials fear may become an explosion of state

The new three-party coalition's populist plan to cut income taxes and further drive up spending has created alarm among the finance ministry's mandarins, reluctant to abandon the fiscal frugality which they see as a vital feature of Japan's economic strength.

After strenuous persuasion by the ministry, the previous coalition had agreed that an income tax cut must be decided at the same time as a subsequent rise in the 3 per cent sales tax, possibly to 7 per cent. A decision was being prepared for late June, until the new government, with its lax tax policy, staged its parliamentary coup three weeks ago.

The sales tax rise would not only fund the income tax cut, but also start to compensate for a decline in the income tax base which will be caused by a sharp growth in the number of pensioners. This is needed because Japan's present tax structure prepares it badly for the coming grey wave. A fifth of government income comes from sales tax, well below the average of 30 per cent for Organisation for Economic Co-operation and Development countries, and around twothirds of state revenue is derived from income tax, with the balance from property and capital gains taxes

Mr Tomiichi Murayama, the socialist prime minister, and his Liberal Democratic party partners now wish to leave any planned rise in the politically unpopular sales tax vague. Finance ministry officials now have no idea when or whether they will obtain their cherished tax reform, a poison chalice that may be passed to a fubrre government

In the meantime, coalition leaders want to fund the tax cuts they plan to make - around Y6,000bn (£38bn) annually - with a mixture of cuts in government spending and the issuance of deficit bonds. This is heresy to a finance ministry deeply scarred by its mid-1970s experience of struggling to control a rising budget deficit, a conquence of a rise in public spending to stimulate the economy after the first oil shock. Most Japanese state debt is in the form of construction bonds, so called because they finance infrastructure projects, so adding to the nation's physical wealth. The finance ministry has no objection to these, but does object to increasing its dependence on deficit bonds to cover future pensions and

The ministry agreed to four economic stimulus packages, totalling Y45,000bn over the past two years, only on condition that it would not have to issue deficit bonds to fund them. In the event, it was forced this year to issue deficit bonds for the first time since 1989, to cover just over 4 per cent of spending. Officials fear it will be hard to resist issuing

This may be "unavoidable" warns Mr Yoshiro Mori, secretary general of the LDP.

Just as worrying, the new government has pledged abundant cash hand-outs during its short time in office, to do more to stimulate the economy, but also to satisfy politically important groups such as farm-

The coalition's plan to cut taxes and drive up spending has created alarm

The latest government largesse includes a Y40,000bn plan to install a national fibre optic cable network next year. and there is talk of adding Y170,000bn to an existing Y430,000bn public works proto 2000. This week's cabinet meeting was deluged with ministerial requests for "exceptional treatment" for pet projects in next year's budget.

Covernment finances are far weaker than politicians realise. argues the ministry. Applying the standard international measure, Japan's general government deficit stands at 1.9 per cent of gross domestic product apparently far healthier than the US, at 2.6 per cent, according to the OECD.

This is a misleading guide, say the bureaucrats. Japan's budget deficit includes a 3.8 per cent of GDP surplus on its

social security budget, more than three times the average social security surplus for the Group of Seven leading industrial nations. Exclude social security, and the government deficit shoots up to a worrisome 5.7 per cent of GDP, well ahead of the US at 3.5 per cent.

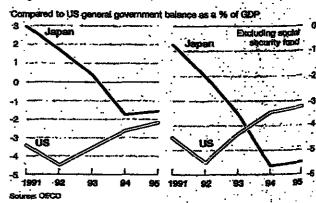
Japan's social security sur-plus is artificially large because its social security system is much younger than those of its partners. That means it is flush with contributions but not yet depleted by pay-outs. It will quickly turn into a deficit as the proportion of people aged over 65 climbs from around 12 per cent among the lowest in the OECD - in 1990, to 25.5 per cent, expected to be among the highest in the industrialised world, by 2020.

The finance ministry is unwilling to plunder the social security budget for general spending on the grounds that the cash belongs to future pensioners and may in any case be inadequate to meet obligations. It does already lend from the social security budget to other state bodies, such as the Japan Development Bank, to fund their own projects, so the sur-plus is not idle.

Japan looks surprisingly indebted by another measure - its interest bill. The cost of servicing its accumulated Y200,000bn debt reached 15.7 per cent of GDP last year, the highest among the world's five top economies, according to the OECD. That will rise. The government borrowed to finance 14 per cent of its spending last year, climbing to nearly 19 per cent this year.

The mandarins believe they can probably count on the sup port of former finance ministers in the LDP, the largest member of the coalition, as well as centre-right opposition parties. But for the time being, the provident are in a minority. Japan's new government is in a mood to ignore the finance ministry and borrow its way out of trouble.

Japan's finances



Some fear power struggle even if reconciliation policy continues

Kim succeeds father in N Korea

By John Burton in Scoul

Mr Kim Jong-il was proclaimed as North Korea's new leader yesterday at a memorial ceremony in Pyongyang for his father, the late president Kim Il-sung.

The reclusive Mr Kim dld not speak to the hundreds of thousands of people that crowded into Kim Il-sung square, but Mr Kim Yong-nam, foreign minister, led a group of officials who vowed support for the 52-year-old Dear Leader and referred to him as "head of

state". Mr Kim is expected to assume the positions of general secretary of the Korean Workers' Party and president after the party and parliament hold formal sessions.

The new North Korean leader, dressed in a black suit and wearing a mourning armband, looked haggard in the

sweltering heat of Pyongyang as he gazed at the grim-faced and weeping crowd. The foreign minister refrained from criticising the

other non-infrastructure spend-

US, in an indication that the new leadership will continue the policy of reconciliation recently pursued by the late president. The US hopes to resume talks with North Korea in Geneva at the beginning of August in an attempt to resolve the dispute over Pyongyang's nuclear programme, according to US officials.

The 75-minute ceremony, broadcast live to foreign countries, "was meant to send a message to the world that the situation in North Korea is stable and that there will be no sudden changes in policy." said Mr Michael Breen, an analyst on North Korea for Seoul-based Merit Consultancy.

Nonetheless, other analysts suggest a power struggle is

looming in Pyongyang. They note that Ms Kim Song-ae, the president's widow who is believed to oppose her stepson's assumption of power, had a prominent place in the funeral services on Tuesday.

She advanced to 14th in the hierarchy at the funeral from a ranking of 104th on the state funeral committee, which was announced last week. This could indicate that her influence and that of the conservative old guard is growing. But Mr Kim Pyong-II, her

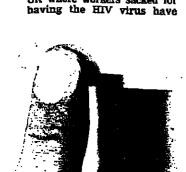
natural son and a potential rival to his stepbrother, was not mentioned as being present at the funeral.

The body of Mr Kim Il-sung is expected to be laid to rest temporarily at the presidential palace to await completion of the Kim Il-sung memorial hall. where he will go on permanent display in a glass coffin. Meanwhile, South Korean President Kim Young-sam warned that radical students who have held mourning ceremonies for the North Korean leader will face harsh punish-

"The government cannot continue to be so tolerant. The government will never tolerate those students who blindly follow communism and indiscriminate violence," he said.

The South Korean government has claimed that leftist radicals are formenting student and trade union unrest on instructions from Pyongyang The students can be prose-

cuted under the national security law, which prohibits contacts with North Kores or expressions of sympathy for its government. Mr Jose Ayala Lasso, the United Nations High Commissioner for Human Rights, yesterday criticised the law after meeting officials in



published a discussion paper said yesterday it plans next that advocated the introduction of an old-age pension. This drew a hostile reaction from business which earlier this week countered by suggesting the expansion of existing benefits rather than creating a new

was any physical or mental

recourse only to the general

law on employment protection.

A week ago the government

ony's secretary for health and welfare, said that harassment and vilification of the disabled The latest announcement is will also be outlawed. Disabled bound to raise concerns among people will have redress to an the more conservative ele-**Equal Opportunities Commis**ments in Hong Kong who sion which is to be established, think the government is going too far in its welfare policy. if they believe they are the tar-Mrs Wong said the legislaget of discriminatory practices. tion would enshrine in law The legislation will also cover those who are HIV posithe standards to which we tive or have Aids - a provision believe Hong Kong, as a civiwhich goes further than the lised community, should adhere". She said "disability" UK where workers sacked for

under new HK legislation impairment that limited a person's life activities.

The proposed legislation will contain provisions to cover discrimination at work, in recreation and education, as well as in housing, and access to and use of buildings. The law will not impose gen-

eral requirements on employers to provide more jobs or better facilities to persons with disabilities. There will, however, be two general exemptions from the law: unjustifiable hardship, and the inherent requirements

of the job. The law would not

require that people with a disability be given a job which they could not do, she said. The legislation will not require absolute equality in all areas whatever the cost," Mrs

talks date By Laura Tyson in Taipei

China.

ing proposals, the meeting will be held in the Taiwanese capital Taipei on July 30 between the quasi-official straits exchange foundation (SEF) and its Chinese counterpart, the association for relations across the Taiwan straits

between Arats and the SEF.

The state of the s

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Gatt shuts door on environmentalists

By Frances Williams in Geneva

A proposal by the US to make Gatt a more open institution was turned down by its trading partners yesterday, in a move that will give US environmental groups further ammunition in their campaign against the Uruguay Round trade accords.

was a same and the second of the second

Mr Booth Gardner, US ambassador to Gatt, said environmental organisations should be invited to an open meeting of Gatt's governing council to discuss a panel report condemning a US embargo on tuna imports. The

to kill too many dolphins in tuna fishing nets or which import from those

The tuna-dolphin case has become a cause célèbre among US environmentalists, who see it as proof that the General Agreement on Tariffs and Trade is antipathetic to environmental concerns. Much of their indignation has centred on the secrecy of Gatt dispute settlement procedures, in which a three-person panel hears evidence from governments in private before passing judgment.

The US proposal met with almost universal opposition. The European

Union said it would set a dangerous precedent for other interest groups such as farm unions, while Brazil dismissed the idea as "inappropriate. impractical and unreasonable". India, Australia, the Nordic states, Asean, Canada, Argentina, Mexico and New

Zealand also expressed disagreement. The Gatt panel report, the second to condemn the US tuna embargo, says the US breached fair trade rules in imposing a trade ban designed to force other nations to change their own domestic laws and practices,

however worthy the motive. Mr Mickey Kantor, US trade representative, said in May the US would "challenge the dispute settlement panel's failure to provide a fair hearing and due process"

However, the EU resterday won wide support for formal endorsement of the panel ruling, on a complaint brought by Brussels after Mexico declined to press ahead with the earlier case. In a statement, Mexico said it would now consider requesting adoption of the first report at the next meeting of the council in October. Under present rules panel reports

must be adopted by consensus. Figures compiled by the Inter-Amer-

involved hot-rolled steel plate produced by

Kawasaki and five other blast furnace opera-

tors, adding that prices would be about \$20 a

tonne higher than in the first six months of this

ican Tropical Tuna Commission show that dolphin deaths associated with tuna fishing in the eastern tropical Pacific have fallen from 133,000 in 1386 to 3,600 in 1993, compared with a dolphin population of 9.5m. The fall reflects conservation efforts by fishing nations and predates the 1990 US

embargo. Earlier, the council approved Vietnam's request for observer status seen as a first step in the membership process - and endorsed Gatt entry terms for Slovenia.

See book review (Greening the Gatt): features pages

Modest results seen for EU's regulatory plan

By Guy de Jonquières, siness Editor

The European Union's plans to stimulate greater regulatory competition between member countries - a keystone of its single market programme - are likely to produce only modest results, according to a study*.
The study, by Stephen Woolcock, a research fellow at the London School of Economics, says this is likely to limit the

the principle, enshrined in the Maastricht Treaty, that deci-sions be taken at the lowest appropriate level. The study also concludes that the approach pioneered by the EU does not offer a basis for an effective framework for

application of subsidiarity -

giobal deregulation, because it requires governments to sur-render a politically unacceptable degree of sovereignty. Since the mid-1980s, the EU has sought to break down national barriers by requiring member countries to recognise one another's regulations and

standards for products and services, in the belief cross-border competition would lead them gradually to converge. But the study finds little evidence that has happened so far and says important obstacles remain:

 Persistence of past national policies and practices, which prevent development of a true single market; Limited transparency and

lack of information on the impact of national regulations and the effect of changing inadequate enforcement of

EU and national rules, which

undermines mutual confidence among regulators; ■ The ability of national regulators to keep standards above the agreed EU minimum level When national rules have converged, it has been more often due to technical discussions between experts than to

cross-border competition.

The general conclusion that appears to emerge...is that the scope for competition between rules is, in reality, fairly limited," the study says. Those who see it as a panacea for problems of deciding between national and EC-level regulation, or as a means of avoiding having to decide on the form of European-level regulatory policies, seem likely to be disappointed."

* The Single European Market: centralisation or competition among national rules? Royal Institute of International

The joint way to break steel bars Michiyo Nakamoto on Japanese-American partnerships that beat the import barriers

ippon Steel, the world's largest steel-maker, last week agreed to take a 10 per cent equity stake in New CF&I of the US, a subsidiary of Oregon Steel, and provide its subsid-iary, CF&I, with the technol-ogy and facilities to manufac-

ture head-hardened rail. The arrangement will enable Nippon Steel to overcome the impact of the yen's sharp rise against the dollar and to deflect US anti-dumping charges while CF&I will benefit by being able to supplythe Banbi said yesterday. Plans to build a separate prirailway industry with a lead-

ing product. The venture comes two years after CF&I joined Bethlehem Steel in bringing charges

against Japanese steelmakers of dumping rail in the US and is one of six ventures by Japanese steelmakers in the US. Through partnerships with US steel companies, Japanese producers have been enjoying

> been in the doldrums. The US recovery and the longer term need to invest in infrastructure are expected to support continuing demand for steel products, which Japanese producers will be able to supply through their US

thriving business in the US

while the domestic market has

Japanese steelmakers plan to by-pass a Chinese government agency and export 5,000 tonnes of steel directly to two Chinese companies next month, agencies report from Tokyo.

The emergency measure follows the collapse of bilateral talks on prices and export levels, Kawasaki Steel said. It said the exports

operations without the worry

An example of a successful

move of this type is Kobe

Steel's two joint ventures in

the US with USS, the largest

Kobe's steel sales group,

expresses regret over the per-

sistent trade friction between

the US and Japan - which he

blames in part on the politi-

cians and bureaucrats - but

says that between businesses

on both sides, and particularly

between Kobe and USX,

"things are going very well". USS/Kobe Steel is an equal

partnership joint venture with

USX, the parent company of

USS, which produces steel bars

and pipes for the automotive,

petrochemical and aerospace

The company has been prof-

itable in each of its five years

in operation with profits of

Y190bn (£1.2bn) in the fiscal

industries.

of anti-dumping duties.

year. The other five companies are Nippon Steel, NKK, Sumitomo Metal Industries, Kobe Steel and Nisshin Steel. has enabled it to finance substantial capital investments. Pro-Tec, the second joint

and construction industries, Mr Ryuji Higashi, director of did not make a profit in its first year of operation. But Kobe is pleased that the company, which began operations in January last year, is already running at 70 per cent capacity and turned profitable in the fourth quarter

venture between Kobe and

USX, which makes coated steel

sheet for the car, electronics

of its first year. "Whether a joint venture succeeds depends on whether the partners can trust each other and in that sense. Kobe and USX have been a great success," says Mr Higashi.

From the start, the partnership seemed like a perfect match. At the time, USX's Lorain Works in Ohio needed equipment and technology if it was to remain competitive.

Kobe Steel needed a facility in the US and an experienced

workforce to help it supply that market, including the growing number of Japanese "transplant" motor vehicle manufacturers, free from the risk of anti-dumping charges.

There are obvious differences in management style. The culture is different, the history is different, the language is different," Mr Higashi

However, the two sides have been careful to respect each other's strengths and capitalise on them. On technology, for example, the US company generally heeds the advice of its Japanese partner whose technological expertise helped transform Lorain into a world class facility. Kobe leaves production matters largely to the Americans.

The partnership has also been able to take advantage of the US company's marketing skills and of Kobe's connections with Japanese companies which have set up manufacturKobe is also pleased that it is able to avoid the worst impact of the yen's recent rise against the dollar. If the company had still been exporting coated steel sheet to the US, for example, the yen's rise would have meant loss of the business, Mr Higashi says.

ing operations in the US.

Kobe's US experience will provide useful lessons as the company faces pressure to look outside Japan for future growth.

Given the long history and pride of the European steel industry, Europe is unlikely to provide opportunities for similar ventures. But Mr Higashi believes that eventually the company will have to consider manufacturing elsewhere in Asia to supply the growing south-east Asian and Chinese markets.

"One day we will no longer he able to export to these regions," Mr Higashi says. Although setting up manufacturing facilities overseas is a risky move for capital intensive steel companies, and there are no large steel companies such as USX in the region to smooth the process, Kobe's happy experience with its American partner bodes well

Du Pont plans growth in India by joint ventures

By Shiraz Sidhva in New Deihi

Du Pont, the US chemicals company, is holding talks with Indian partners to set up five separate ventures in core sectors such as agrochemicals. engineering polymers, pigments, automotive safety products and nylon and Tellon.

Du Pont plans to expand into the Indian market through its subsidiaries and branded products, a departure from its current emphasis on selling advanced technology to Indian companies such as Reliance, India's largest private sector

Du Pont Far East, through which the US conglomerate operates in India, has two Indian joint venture partners, the Delhi-based Thapar group and the Madras-based TVS

It may collaborate with both in engineering polymers for the power and telecom industries, white pigments, nylon for tyres, and tyre-dipping facilities, Tynex nylon for toothbrushes and health-care products, agrochemicals for crop

protection, and polyester for textiles and imaging films. The subsidiary will entrust the marketing of its nylon products to the Thapar group, its joint venture partner for a nylon plant in Goa. Several new projects are also being discussed with the TVS group, which is producing Tynex bris-

ties for toothbrushes. The company is exploring the possibility of setting up wholly owned subsidiaries, and would prefer to hold a majority stake and operational control "But we will go ahead even without a dominant equityholding, if we find the right

partner," a spokesman said. The multinational is negotiating with Reliance to manufac ture Dacron, a specialised polyester staple fibre (PSF). The Indian petrochemicals conglomerate hopes to become one of Asia's top five PSF producers in Asia after its new 160,000 plant at Hazira in Gujarat goes into production by late 1995.

Analysts expect the indian PSF market to grow by 20 per cent by 1997, because of cotton

Egypt gives approval to privately run oil refinery

The Egyptian government has approved a private-sector proposal to build a large oil refinery and petrochemical plant

A group of Egyptian and Kuwaiti investors, operating as the Sahara Company for Petroleum Products, plan to pend about \$1.2bn (£769m) on the refinery, which would probably use Saudi or Kuwaiti crude and refine products for export, oil minister Hamdi el-

vate-sector refinery of about the same size on the Mediterranean coast west of Alexandria were more advanced than those for the Suez one.

JIB advises Oresund

Jardine Construction Services, a London-based division of the international insurance broker JIB Group, has been appointed the insurance broker and risk management adviser for the \$2.5bn (£1.6bn) project to build a bridge and tunnel link across the Oresund, one of Europe's biggest construction projects, writes Christopher Brown-Humes in Stockholm.

The 17km road and rail link between Malmo in Sweden and Copenhagen in Denmark was given the final go-ahead last

The group will be responsi-ble for placing the construc-tion and third party liability risks with leading international insurers before building work begins next year.

Siemens in Russia

KWU, the Siemens power engineering business, has formed a joint venture with companies of the Russian ministry of nuclear energy to engineer and market control and instrumentation systems for nuclear power plants, writes Andrew Baxter in London.

The company, A.O. Nuclear-control, will aim to improve safety and reliability of Russian nuclear plants through the use of modern control and instrumentation equipment.

Row mars birth of Caribbean trade bloc By Canute James in Kingston

Ministers and officials from Caribbean Community (Carithreatened to overshadow next week's formal establishment of the new Association of Caribbean States trade bloc.

A diplomatic shuttle was needed to persuade President Rafael Caldera of Venezuela to attend Sunday's signing ceremony. Venezuela had considered recalling its diplomats from Caricom before a hurried visit to Caracas by Caricom officials resolved the problem. Venezuela's displeasure arises from a letter sent by

Caricom leaders to former Ven-

ezuelan President Carlos Andrés Pérez, who is in prison awaiting trial on corruption charges. In his two terms in com) countries have spent this office, Mr Pérez promoted week solving a dispute which closer ties with Caricom and the letter expressed "profound appreciation" for his contribu-tion to "the development of democracy and economic advancement in the hemi-

Mr Caldera's administration interpreted the letter as interference in his country's domes-

tic affairs. Caricom quickly sent the fence-mending mission to secure the participation of one of the more important members in the new trade group.
With Venezuela mollified, the new economic group of 25 countries, with about 15 dependent territories to be offered associate membership.

The 13 Caricom members (English-speaking countries including Belize in Central America and Guyana in South America) will be joined in the ACS by the Group of Three (Colombia, Mexico and Venezuela), the countries of Central America, Cuba, the Dominican Republic, Haiti and Surinam. Haiti's seat will be offered to the government in exile.

"The signing of the convention creating the ACS will launch new opportunities for the pursuit of collective initiatives by 40 states, countries

attention is now on the start of and territories, comprising some 200m people, united by the waters of the Caribbean,

the Caricom secretariat said. The aims of the new group include the expansion of trade among its members and an increase in the level of functional co-operation in several sectors, including energy, sea-bed mining, agricultural and industrial development, transport and communication.

The ACS will take a common approach in international trade negotiations, such as with the European Union and with the members of Nafta. It will be involved in the negotiations of "preferential arrangements for trade in goods and, pending the outcome of the Uruguay Round negotiations, in services as well", according to Caricom. The row between Caricom and Venezuela was an early hurdle for the ACS to clear.

The involvement of Cuba may prove less easy to resolve. Cuba sees the new trade group as a possible opportunity of escaping from its economic morass. Mr Roberto Robaina, Cuba's foreign minister, says his country is seeking regional co-operation in tourism, and to expand its market for a range of goods and services.

US concern at Cuba's inclusion has already meant the loss of some associate members. Puerto Rico and the US Virgin Islands, both US territories, will not join the ACS.

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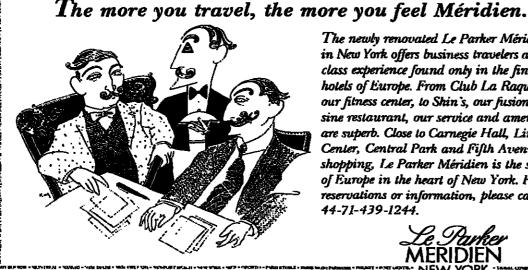
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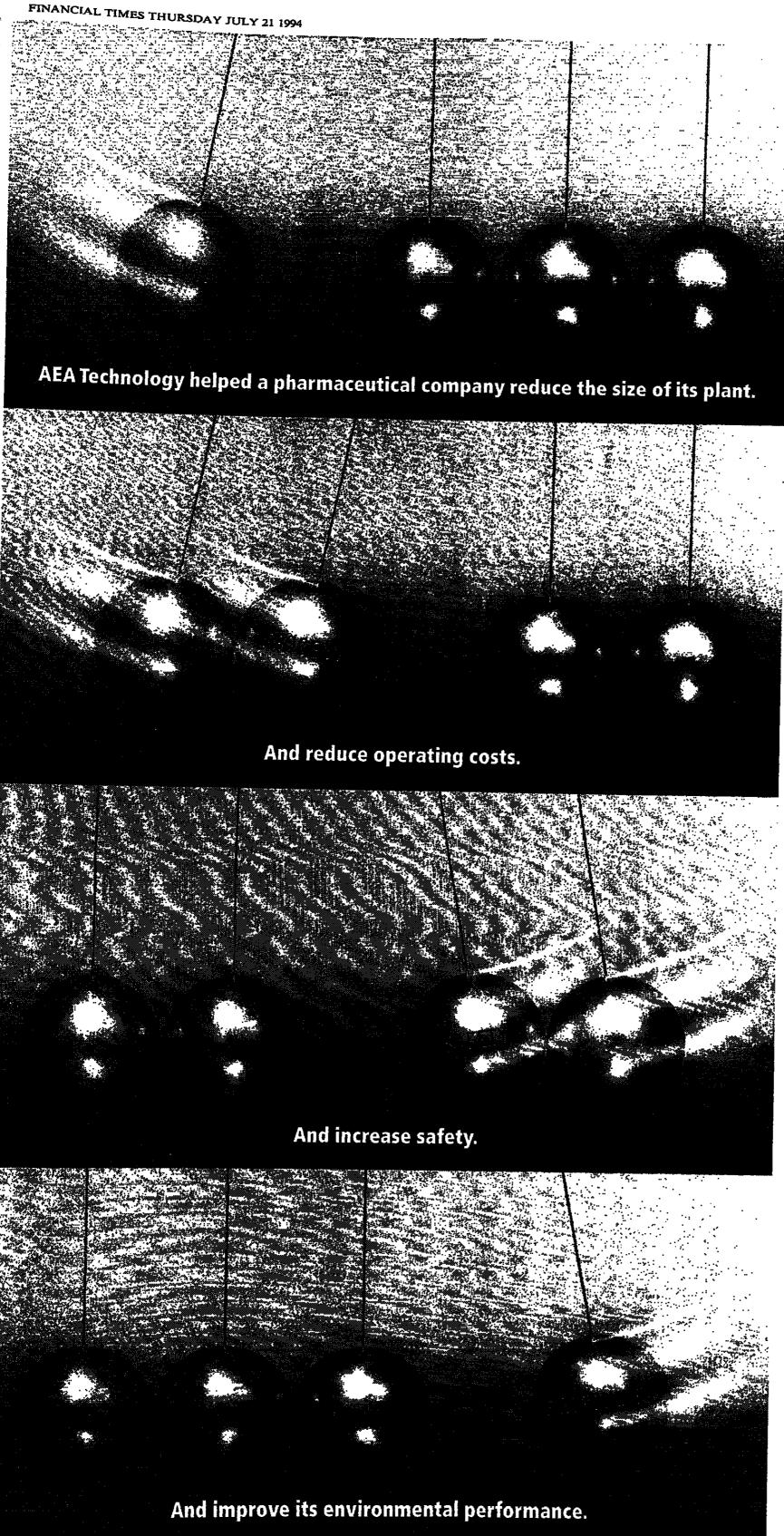
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Recovery faces supply-side constraints

By Peter Norman and Gillian Tett

UK companies experienced growing difficulties recruiting staff in the second quarter of this year, providing a first indication that Britain's economic recovery might be running into supply-side constraints.

In an otherwise upbeat survey of nearly 8,000 UK manufacturing and service companies, the Association of British Chambers of Commerce, found that recruitment difficulties were at their highest level

The difference between man-ufacturers reporting staff 7,935 companies in services and

cuts was a positive 11 per cent. up from 0 per cent in March. the survey said.

The proportion among the service sector was a positive balance of 12 per cent, with a balance of 17 per cent expecting to increase staff in the next three months.

But 45 per cent of manufacturing companies and 44 per cent of service sector businesses reported recruitment difficulties, the survey showed. This was the largest proportion reporting recruitment difficulties since 1990.

The survey, which covers

increases and those reporting manufacturing, showed that bank base rates being held at . New mortgage lending by figures for lending were companies were now reporting moderate growth.

The chambers' findings were released today after official retail sales and bank and building society lending figures yesterday provided further evidence that the economy was growing steadily and shrugging off April's tax increases. City economists suggested that yesterday's news of a 1 per cent seasonally adjusted increase in retail sales volumes between this year's first and second quarters and a surprise £2.9bn increase in bank and

building society lending last

month was consistent with

5.25 per cent for a few months yet. However, some predicted higher base rates.

The publication yesterday of the minutes of the June 8 meeting between Mr Eddie George, the Bank of England governor, and Mr Kenneth Clarke, the chancellor, showed that the Bank was advocating a pre-emptive rise in interest rates if stronger growth or increased costs threaten price stability in the years ahead. Data released yesterday suggested that British families

were developing an increased

brought the seasonally adjusted increase in bank and building society lending to private-sector UK residents to and manufacturing companies

of June last year.

£21.7bn in the year to the end of June. Last month's lending was 3.5 per cent up on the level

The Bank said its provisional

sharply in June to reach its

increase in net new commit-

23.58bn from 23.29bn in May.

increase in so-called M4 lend-

ing compared with May,

UK building societies rose broadly consistent with seasonally adjusted statistics from highest levels for almost two the British Bankers' Associayears. There was also an tion, published yesterday.

 Britain's nine biggest ments made by societies to banking groups increased their new lending for consumption Last month's 0.5 per cent substantially last month. The \$218m seasonally adjusted rise in consumer lending by the banks was the biggest since December 1990 and reflected a £179m jump in credit card bor

> Manufacturers increased their borrowing from the banks by £162m in June after several months of repaying debt.

Britain in brief



Task force to tackle trade gap

An industry task force to reduce Britain's £1.44bn trade deficit in building materials was launched yesterday by some of the country's biggest contractors, property developers and consultants.

The initiative was supported by the Environment Department which has seconded a senior civil, Mr Malcolm Dodds, to be director of the new Construction

Procurement Group.
Its aim is to work closely with building material and component producers to increase the competitiveness of UK construction products in domestic and export markets.

Members include chairmen of leading contractors, Amec, Bovis, Join Laing and Tarmac and Taylor Woodrow as well as senior directors from property developers MEPC, Land Securities, Stanhope Properties and Greycoat.

Tour company ceases trading

A tour operator specialising in city breaks to continental Europe has ceased trading. Regent Travel Services Ltd, of North Kensington, west London, also trading as Citytraveller, was authorised by its Air Travel Organiser's Licence to carry 3.805

passengers a year, the Civil

Aviation Authority said. Passengers currently abroad would be able to continue their holidays and travel home as planned but there would be no further outbound flights after midnight tonight.

Anyone due to fly out after this date, irrespective of whether they were holding air tickets, would not be able to travel. The CAA said forms would be sent out so people could claim refunds.

The company was also a member of the Association of British Travel Agents and an ABTA spokesman said people travelling by means other than air should contact them.

Drugs reform urged by MPs

A complete overhaul of decision-making for drugs spending by the National Health Service has been proposed by the Commons

health committee. In a report the committee called for more appropriate prescribing of medicines. It was the first time parliament has become involved in

clinical decisions. The most radical proposal was the creation of a national prescribing list. This would be a list of all drugs which would

be reimbursed by the NHS. At that time, each drug would be subject to a scientific review. Those found less effective than existing therapies, or more expensive with no additional therapeutic value would be excluded from

the prescribing list. This process would effectively create a so-called "fourth hurdle" for medicines.

More wind

More wind farms should be

robust, appropriate and locally accountable planning system,"

the MPs said, "We see no objection to the continuing development of wind farms in Wales, subject to their environmental acceptability."

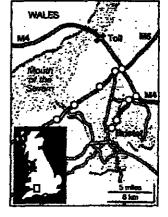
The committee's support comes at a time when there has been increasing opposition to the turbines on grounds of visual intrusion, noise and lack of economic justification.

"We believe that concerns over visual impact are the most deep-seated and firmly held objections to the development of wind energy, the committee said. There should be "the strongest presumption" against turbines in national parks, areas of outstanding natural beauty and sites of great landscape

High tolls divert cars

High tolls on the Severn bridge between England and Wales are causing about 1,500 vehicles a day to divert to other routes, a Highways Agency report has found. The study was set up to

investigate complaints of greatly increased truck traffic on local routes through Gloucestershire to Wales. The ope-way toll is £10.10p for a heavy goods vehicle. Revenue from the bridge is paying for the construction by Laing-GTM of the second



1111

Severn crossing, due to open in 1996.

The report claims that the tolls are "not a significant factor" in increasing traffic on other routes, but that factors such as congestion play a bigger part. It says the problem should be eased when

the second bridge opens. Mr Robert Key, minister for roads and traffic, said the report showed about 2,700 more vehicles a day than might be expected, after allowing for traffic growth, were travelling west through "Only 1,500 of these can be positively identified as avoiding bridge tolls."

British Library 'a shambles'

The construction of the new British Library in central London has degenerated into a shambles, a committee of MPs says in a hard-hitting report on

the project. The cross-party Commons National Heritage committee says that more than 16 years after the new building was started, no-one has any idea when it will be completed or open or how much it will cost. The committee calls for a public inquiry into the project

to establish whether there has been maladministration and incompetence in its design and construction.

3% pay rise for police

September under a new pay formula recommended in the reorganisation. The rise is at groups but lower than the 3.75 per cent that the police officers would have received under their old pay formula.

Reshuffle marked by calculation over glitz

By Philip Stephens, Political Editor

Reshuffles are like Budgets. The cleverer they look on the day the more chance they will unravel once the novelty wears off. So perhaps Mr John Major should be applauded for eschewing anything that might be termed glitz.

His mid-term shake-up did include one significant gamble - the elevation of the untested Mr Jeremy Hanley to the party chairmanship. Mr Major was tough enough to sack Mr John Patten from the education department and to let go three other cabinet min-

He took also the longstanding advice of friends and replaced Mr Graham Bright as his parliamentary private secretary with the nonesdecsript but safe Mr John Ward.

But overall it was a play-it-safe

Prime Minister.

Lord Chancellor ...

Home Secretary: ...

Environment:

Social Security: ...

Scottish Secretary:

Welsh Secretary:

Lord Privy Seal:...

Transport:

Foreign Secretary:

Defence Secretary:.....

Chancellor of the Exchequer......

President of the Board of Trade:

Chancellor of the Duchy of Lancaster

THE NEW LOOK OF BRITAIN'S CABINET

Lord President of the Council:......Tony Newton

restructuring of the cabinet team that will face Mr Tony Blair's Labour alculation over showmanship. The can be reined in when necessary by party in the second half of the present

It left the clear impression Mr Major has given himself room for another, albeit smaller, shake-up before the general election due by mid-1997. Mr Malcolm Rifkind, who stays for now at defence, looks like a

foreign-secretary-in-waiting. On one level the prime minister's hands were tied. Mr Kenneth Clarke was never likely to move from the Treasury, Mr Douglas Hurd, a pillar of stability in the cabinet, was needed at the foreign office for at least another year to prepare for the European Union's intergovernmental con-

Moving Mr Michael Howard from the home office or Mr Michael Heseltine from trade and industry would have created too many waves. But even within those constraints

Michael Heseltine

...Gillian Shephard (formerly John Patten)

...William Waldegrave (Gillian Shepherd)

....Dr Brian Mawhinney (John MacGregor)

.....Viscount Cranbonne (Lord Wakeham)

(formerly William Waldegrave)

...Michael Portillo (David Hunt)

..Stephen Dorrell (Peter Brooke)

...Jonathan Aitken (Michael Portillo)

Jeremy Hanley (Sir Norman Fowler)

John Gummer

...David Hunt

....Peter Lilley

..Virginia Bottomlev

various moves upwards, downwards and sideways were all designed to pre-

Overall Tory MPs detected a slight shift to the right - but not by any-thing like enough to persuade them the recent rightwards shift in his rhetoric signalled Mr Major had truly become "One of us".

Thus Mr Michael Portillo's promotion to employment. The Tory right was assured their standard bearer would retain an influence on economic policy. Mr Portillo will work closely with Mr Peter Lilley, his Thatcherite ally at social security, to introduce the tough new Jobseekers' allowance for the unemployed. He will be ideally placed also to indulge his distaste for Brussels by opposing

further social legislation. On the other hand employment is the most junior of the economic posts:

rell, the darling of the One-Nation left, won his much deserved elevation to the cabinet. But his new position is sufficiently uncontroversial not to

can be reined in when necessary by

Mr Jonathan Aitken's move into the

chief secretary's slot bore the same

hallmark, Meanwhile Mr Stephen Dor-

Mr Clarke and Mr Heseltine.

enrage the right. Other moves have a wider political objective. Mrs Gillian Shephard's pro-motion to education is designed to restore some common sense to the government's approach. After six years of upheaval the promise now is of a period of consolidation and bridge-building both with teachers

and with local authorities. Mrs Shephard would never claim to be a great innovator but her experience as a teacher and local authority education officer has left her far more in touch than her predecessor with

the preoccupations of parents. Elsewhere Mr Major rewarded com-petence. Mr William Waldegrave's move to agriculture was widely seen as a good decision. So too was the the choice of Sir George Young as financial secretary to the Treasury, the post generally seen as a waiting room for the cabinet. Mr Brian Mawhinney's promotion to transport was an appropriate reward for loyalty and

Mr Hanley's appointment was the principle puzzle. In one respect it reflects the continuing influence of Mr Chris Patten, the now distant governor of Hong Kong and party chairman at the last election. Mr Hanley was his protege.

The message from 10 Downing Street last night was that the reshuffle must be seen as a package: that taken together the changes at all levels might not be flashy but would

stand the test of time. Perhaps.



CMN seeks MoD

Jeremy Hanley, the new Tory party chairman (left), Gillian Shepherd, who moves from Agriculture to Education (centre), and Brian Mawhinney, who takes over as Transport secretary, following yesterday's government reshuffle

London's position **'under** threat'

Treasury Chief Secretary

John Gapper Banking Editor

London's position as an international hanking centre could be undermined by protectionist EU legislation, or by the adoption of common banking supervisory standards around the world, according to research published yesterday. A study of London's position compared with other financial centres such as New York and Frankfurt concludes that it could be damaged by increased regulation of the underwriting and trading of securities and

financial derivatives.

Professor Harold Rose of London Business School says that London's share of crossborder bank lending fell from 18 per cent in the mid-1980s to under 14 per cent of a much higher world total, largely due to the rise in importance of Asian centres.

However, be argues that the chief competitive threats to London as a banking centre are the liberalisation of markets abroad and the changes in supervision which weakend London's previous advantage of light regulation.

He says that the risk-weightings used in the Basle accord to calculate the capital banks should apply to loans could affect London disproportionately because they do not take account of the lower risk of international lending.

Professor Rose argues that London's position as the leading foreign exchange centre is likely to be reinforced by KMT7

Losses of trading among European currencies would be offset by European Currency Unit trading. However, Profes-sor Rose says that EMU could lead to business switching

Belfast Airport sold in management buy-out

By Our Belfast Correspondent Belfast International Airport.

Ulster, is to be sold to its 300 management and staff, the government announced yesterday. The news surprised many observers who felt that the bid was the least likely to succeed. The management-employee buy-out (MEBO) team defeated three rival bidders on the short list with a bid of £32.75m which together with the company's cash reserves of £15.15m will boost Treasury coffers by

Belfast International airport has undergone a £25m development programme over the last five years and now boasts some of the best regional airport facilities in the UK. Unsuccessful contenders included an Airports Europe

liams, chairman of Ulster's Local Enterprise Development Unit whose partners included Amsterdam's Schiphol airport. The others were a high-profile group led by Industrial Development Board chairman Mr John McGuckian and backed by TBF Thompson and the Northern Bank and the Ulster Investment Bank whose bid was supported by City

The completion of the sell-off means Northern Ireland's two main airports are now in pri-The Belfast Harbour Airport

financial institutions.

near the city centre is owned by Shorts-Bombardier, the Canadian transportation

involved in heavy competition

rivalry is likely to intensify. Birmingham International Airport, the fifth largest in the UK, yesterday unveiled an expansion programme which will cost £400m over the next 10 years and will involve the private sector taking a majority interest in the ownership, Paul Cheeseright writes.

The airport's local authority owners - seven local councils are prepared to give up at least 51 per cent of their equity to attract private capital, said Mr Fred Hunt, chairman of the airport company. Private sector control will give the airport greater financial flexibility. Its borrowing, seen by the Treasury as part of the public secgroup. tor borrowing requirement, is Both airports have been at present subject to govern-

pledge on work

By Chris Tighe in Newcastle

The French-based company which is the only prospective bidder for Swan Hunter, the Tyneside shipbuilder facing closure, said yesterday it would only go ahead with a deal if the British government guaranteed the yard two years base workload.

Soffia, parent company of Cherbourg patrol boat builder Constructions Mecaniques de Normandie, said it had not ruled out buying Swan Hunter from the receiver despite Tuesday's news that Swans has not won the Sir Bedivere landing ship refit, on which CMN's original, now aborted, proposed deal was conditional. But Mr Fred Henderson. leader of CMN's bid team for

government it wished to see Swan Hunter survive.

"If Swan Hunter is to survive the MoD must guarantee a base workload for two years." The MoD said yesterday its policy was always to place orders in terms of best value for money. "It's been continually the policy that work is not directed to specific shipyards." Yesterday Swan Hunter

union leaders met Mr Iskandar Safa, Soffia's senior director, in Paris. Afterwards, Mr Safa called for a "partnership" involving Soffia/CMN, the unions, the MoD, receiver Price Waterhouse and Swans' major creditor, Lloyds Bank, to find a solution. CMN hopes to meet MoD ministers urgently; the offer of Olwen must be finalised by August 1.

farms sought

allowed in Wales, the Commons Welsh affairs committee said. "Within the framework of a

The 120,000 police officers in England and Wales will get a pay rise of 3 per cent from Sheehy report on police the top end of public sector

Smog message fails to hit home London's cloud problem

The government is considering its air pollution approach says William Lewis is repeated worldwide

Britain's National Society for Clean Air, spent the first weekend in July having a barbecue, painting his house and driving his car. He had no idea that all three activities put him in direct conflict with the government's emergency recommen-

dations to combat smog. The UK Department of the Environment issued its first summer-time alert following a heavy build-up of smog. Mr Robert Atkins, Minister of State for the Environment, asked people to use their cars only if they had to and not to

use solvent-based paints. Hot weather had caused a rise in levels of nitrogen dioxide, sulphur dioxide and ground level ozone - pollutants formed mainly from vehicle emissions, which cause breathing difficulties, and forced

Mr Tim Brown, an official of ozone levels up to 80 per cent including sulphur, nitrogen widespread public warnings more than acceptable levels. Mr Brown believes that his own ignorance of the warning was repeated country-wide. "Media coverage was patchy and I'm sure that most people were just like me and had no idea about it so they just car-ried on as normal," he said.

Criticism about the effectiveness of government warnings in the UK comes as the European Commission has suggested increasing the number of air pollutants that the public should be warned of if limits are breached. A draft directive asking

member states to reduce air

pollutants to safe levels within

15 years was approved by the

Commission earlier this month

and is now awaiting approval

by ministers. Up to 14 air pol-

dioxide and carbon monoxide. Warnings about excessive levels of ground-level ozone are already covered by an existing EU directive. The commission is also seek-

ing a common method for measuring pollution. Britain's DoE, which issued second summer smog warn-

ing last week, is now carrying out research into the public's response. It supports the principle of greater disclosure as do most environmental pressure groups. While there are differences over the number. location and funding of pollution monitoring units all sides agree on the necessity of warning the public. "We are all for widening public awareness,

an DoE official said. However environmental lutants would be covered experts point out that more

are likely to increase expectations that action will be taken to reduce air pollutant levels. "You cannot tell people that the air is unhealthy today and

something about it," said one of the government's environmental advisers. This principle is recognised in the Commission's directive. It suggests that governments be required to take emergency measures - such as the closure

not show that you are doing

of factories and power stations once limits are breached. The DoE, in a recent consultation paper, indicates that it favours intervention only as an extreme measure. Emergency intervention measures "would be justifiable only where it was clear that the benefits outweighed the costs," the consultation paper states.

By Stephen McGookin

London is not the only city where the level of air pollution is contributing to a health problem and where efforts are being made to reduce the level

of harmful emissions. Britain's Labour opposition has charged that the government's transport policy was at the heart of the problem, particularly motor vehicles without catalytic converters, which strip out harmful gases.

Since January 1993, converters have been compulsory on all new cars - nearly two decades after the US took the same step. But converters can-not be fitted to older cars, and

currently only about 15 per cent of UK vehicles have them. Mr Klaus Topfer, Germany's

environment minister, said

this month that his country introduced staggered working would take its own steps to reduce the level of benzene in petrol unless the EU could find a solution. Benzene makes up around 2.5 per cent of petrol

and contributes to the creation

of summer smog. In southern Germany last month, the Baden-Wurttemburg region around Stuttgart, where about 150,000 people live, claimed some success with a four-day experiment to reduce ozone build-up. A local speed limit of 60 km per hour (35 mph) was introduced and industry imposed voluntary controls on output of smoke

and waste products. In Greece, where the polluted atmosphere in Athens is damaging some of the nation's architectural treasures, the environment ministry has

hours in the capital until the end of August and has laid on extra buses in an effort to reduce the number of rushhour cars coming into the city.

the Financ

The US Environmental Protection Agency, in an effort to cut ozone levels, has asked petrol companies to voluntarily sell lower vapour pressure gasoline, which evaporates less and creates less Detroit, Michigan - tradi-

tionally the home of the US automobile industry - has launched a "smogbusting" campaign, involving both business and individuals, aimed at reducing oxone levels. California, which has the

nation's poorest air quality, is alming to reduce emissions by 75 per cent by the year 2010.





Game of sponsorship

port is not just a game. It is a business. Anyone who doubts this need only consider the sponsorship contract signed this week between Mercury Asset Management, the UK's biggest fund management group, and cricketer Brian Lara.

基度集 (1995年)。

THERMALL

in a first

The sponsorship deal, valued by Lara's agent at £500,000 - but which MAM insists is actually £100,000 illustrates the value which a financial services firm, whose products have nothing to do with cricket, places on sport.

Among financial services companies MAM, which is considering further sports sponsorship deals aimed at encouraging junior competitors in a wide variety of sports, is hardly alone. National Westminster Bank, sponsors since 1981 of the one-day NatWest Cricket Trophy, spent £450,000 on sports-related promotion last year. Scottish Provident signed a contract worth £600,000 with ITV to sponsor the last British Lions rugby tour. Cornhill Insurance sponsors a cricket series and Britannic Assurance sponsors county cricket championships. London Global Securities, which specialises in international securities lending, sponsored Eamonn Martin, winner of the 1993 London Marathon.

In the UK, according to Mintel, the market research group, corporate sponsorship covers a range of sports from swimming to darts. Sports sponsorship deals in 1993 were valued at £242m and is forecast to grow to £250m this year. But what does an advertiser gain from sports sponsorship, particu-



larly when the product is unrelated

MAM said this week that it wishes to draw a connection between the excellence at sport demonstrated by Lara - who holds two world cricket batting records with its fund management skills.

Significantly, the Mintel research showed that four of the eight leading corporate sponsors of cricket in 1993 were in the financial services industry. Among so-called AB television viewers whose incomes and

the country, cricket ranked number five of all sports watched, with 31.7 per cent of that socio-economic group choosing to watch it. Mike Bloxham, director of The Bloxham Group, a company which helps corporate clients devise long-term sponsorship strategies,

says that sport may be a way for a

financial services firm to reach a

much broader audience than other

forms of advertising. People who could be buyers of their products may not encounter

such as MAM, which opted for individual sportsman sponsorship instead of team or event sponsorship, there can be a specific marketing goal. "One approach to sponsoring individuals is that they can be seen to encapsulate certain values with which the sponsor wishes to associate himself."

The downside with individual sportsman sponsorship, he says, is that "you cannot legislate for aspects of an individual's behaviour". Sportsmen and women periodically engage in activities which corporate sponsors feel will tarnish their brand image. "O.J. Simpson is no longer a good person to be associated with," Bloxham said. Martin Loat, a spokesman for

ITV's sponsorship arrangements, notes that there is also a "chairman" factor in selecting individuals for sponsorship. "It may also be a chairman's wife factor," he says. Moreover, sponsorship allows companies to offer corporate hospitality to their clients and contacts, an aim which ranks high in Nat-West's decision to sponsor the oneday cricket matches. Sponsoring an individual may allow a company to introduce him personally to clients, an experience likely to reinforce

warm feelings about the sponsor. And, for a firm such as MAM, sponsorship means the opportunity for Lara to don a MAM cap immediately after leaving the field of triumph, just in time to be interviewed on national television.

Norma Cohen

Hospitality joins the fast track

he popularity of corporate hospitality or employee motivation evenings in the form of "arrive and drive" go-kart racing has inspired dozens of circuits catering for the activity

throughout Europe.

The concept is poised to be lifted on to an altogether higher plateau with 200 horsepower Alfa Romeo 155 saloons of similar appearance, if not quite the performance, of the bright red Alfa Romeos currently leading the British Touring Car Championship.

Companies, or even wealthy individual drivers, will rent every car competing in the "Pro-Series" Alfa 155 championship planned for the 1995 motor racing season.

The championship departs from conventional motor sport concepts in that sponsoring companies and their drivers can expect to complete a full championship season at a fixed cost, with the onus on providing raceworthy cars for each round switched to the actual operator of the championship.

The venture operators, Graham Hathaway Racing and entrepreneur and rallycross driver Peter Earnshaw, will retain full ownership of the cars; repair, maintain and take them to and from the circuit, and provide the hospitality facilities for participating companies to entertain their guests. Pioneered in North America in

the Zerex Saab championship, the concept is intended to eliminate one of the biggest disincentives to all commercial motor sport sponsorship, spending spiralling out of control as competitors seek technical advantage over rivals.

Motor sport is an expensive activity, with even a single-car budget for a modest "one-make" championship likely to approach £50,000 for a season. It is also notorious for its disillusioned sponsors. Many companies vow never to involve themselves again when confronted with a choice between injecting extra funds part team's withdrawal and the collapse of the sponsorship venture.

Earnshaw, who is currently negotiating approval and administration of the series with the British Automobile Racing Club and motor sport authorities, says that companies not wanting to back a single car will instead be able to join a small pool of sponsors whose branding will be carried on every competing car throughout the dozen or so races which will make up the championship.

The concept is about offering a financially predictable, rather than necessarily cheaper, entree into motor sport. Costs have not been finalised but several thousand

John Griffiths

🕇 ot enough people get up in the morning and think "I must go to BHS". That is the problem Helena Packshaw. marketing director of the British retailer, faces as she attempts to transform the chain into a "destination" store, rather than somewhere shoppers just drift in to from the high street.

The BHS brand, says Packshaw, is "too neutral". Christopher Satterthwaite, from BHS's advertising agency Howell Henry Chaldecott Lury, puts it more bluntly: "Reality and perception are not matching now. It's better than you expected when you go in

The first evidence of a vast brand-building exercise aimed at remedying this situation is about to hit the television screens as BHS starts to advertise for the first time in about five years. The logo has also been revamped and, from next year, the shop interiors will also begin to look different.

The moves are part of the restructuring and recovery of the Storehouse group, of which BHS is part. The last three or four years have been spent developing a young, energetic organisation, and defining the store's "value proposition" says Packshaw.

The three parts of this proposition, central to the way the brand is promoted, are: "fashion-moderate" products, which are up-to-date but mainstream, rather than at the cutting-edge of fashion; consistent and appropriate quality; and low prices attractive to mothers on tight budgets, who form by far the largest group among BHS's

The TV advertising, which starts in early August, will use real people at specially-staged "happenings" in BHS stores around the country. In a new piece of advertising jargon which, one suspects, will not catch on, Satterthwaite hails the campaign as "Fresh TV". There will be just a few days' gap between filming and screening, and a new ad will be made about every two weeks.

Pilot advertisements were shot in Watford last month. Over one day, five "beach parties" were staged in BHS stores in the town. Members of the public were stopped on the street, invited to join the parties and to take part in catwalk shows featuring BHS clothing. The linkman, a young black actor called Sylvester, is the only professional to appear in the

Out of this unscripted filming, a 60-second commercial is distilled. There is a deliberately "home movie" feel, with black and white video until the point when the



A revamped BHS hopes to excite shoppers, writes Diane Summers

From neutral to higher gear

BHS products are featured, when the film moves into colour. The overall effect is lively and lond, with Sylvester as a slightly nervous parody of the male in the traditional soap powder

advertisements. The format will be adapted to sbow different seasons' clothes and could also be extended to other BHS lines, for example its lighting. The first place to get the treatment will be Gatesbead's giant shopping centre, the

The idea of the in-store "event" will be used to drive local publicity and as a general promotional tool, and will be extended to shops which are not featured in the TV commercials. The intention is that customers should be able to go to the stores and immediately locate the merchandise featured on

television. The new logo is. says Packshaw, a "more feminine, more fluid" version of the existing one, which is "OK but doesn't give her [the customer] the feeling of excitement or energy" that BHS is keen should be associated with the

Do not expect to see the new logo on high-street shop fronts for some time. The 122 fascias will be replaced as stores are refurbished. In any case, Packshaw believes local BHS store is and so rarely look up at the sign.

Instead, the company is concentrating on getting the new logo on to carrier bags, inside the stores for displays, and on to

The final piece in the jigsaw is a revamp of the store interiors which, Packshaw says, will show merchandising off to greater effect and "allow it to breathe". The new look is being unveiled in the Cambridge store next year.

As far as the entire strategy is concerned, Packshaw will want to see concrete evidence of success. The shops currently show £200-£220 revenue per square foot. compared with about £400 at Marks and Spencer, she says.

Although no one is expecting sales densities to double overnight, there will have to be an appreciable narrowing of this

Apart from sales, there will also be longer-term measurement of perceptions of the brand, for the campaign "is also about elevating the brand in the minds of people to whom it might be neutral".

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on Friday, September 2.

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Hugh Aldersey-Williams on the potential of independent projects

Inventors with time to think

orporate research is excellent at bringing incremental improvements to technology that is already available, but it is far less good at coming up with bright ideas that could lead directly to entirely new products. And when it does the final connection may not be

It was, for instance, Xerox Corporation's Palo Alto Research Centre in California that did much of the work leading to intultive interaction with computers based on using visual icons on the screen. Seeing itself as a copier company, however. Xerox did not reap the benefit of the ideas embodied in the prototype "Star workstation". Apple Computer's Steve Jobs did.

To overcome this kind of mental block, David Liddle formerly of Xerox Corporation and Paul Allen, one of the founders of Microsoft, have set up Interval Research, which aims to explore new ways that we might interact with technology.

They dislike being labelled a thinktank. "We are inventors, not writers of papers," says Bill Verplank, a researcher at the company who worked on the Star workstation. Interval Research, of Palo Alto, has a foundation investment of \$100m (£67m) to fund it over five years.

This provides breathing space the "interval" – to embark on projects that are not beholden to any particular manufacturer or type of product. "A lot of the computer companies are so tied up in doing incremental product design, that it is difficult to stand back and say, well, 'what's the next great thing to do?'," says

research fellow Colin Burns. Interval Research aims to profit from its inventions by selling its ideas or by spinning off small, start-up companies to pursue them further.

In London, Liddle has arranged the five-year sponsorship of a research design studio at the Royal College of Art. The £2.5m programme will allow Interval researchers to participate in design projects at the college and students to work in California. The RCA is the first design school

Interval has worked with They are interested in the different take that designers have from engineers," says Gillian Crampton-Smith, professor of computer-related design at the RCA. The other aim of the liaison is to encourage involvement from British and European companies. The RCA already has links with companies such as BT, Logica and Philips, which are likely to take

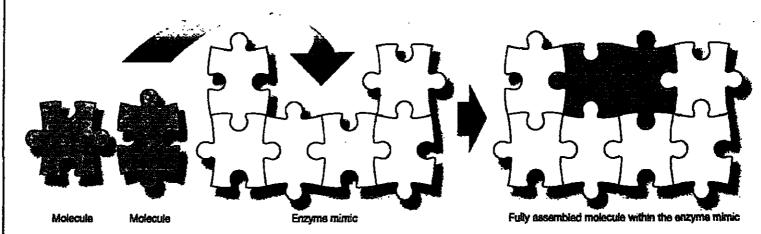
an active role. The starting point for interval Research activity is "interaction design" - the shaping of the way people use technology. Disciplines as diverse as design, psychology, anthropology and dramatic arts are brought under this banner in an attempt to make people's interaction with products more

natural. One topic concerns "place" in a computer environment. For example, asks Crampton-Smith. "how do you do the equivalent of putting your head round the door of the canteen to see if there is anyone there you would like to have a chat with?" Designers can use their skill in visualising in three dimensions to give this electronic landscape an appearance that is usable in an intuitive way. Such understanding is expected to help in the design of products that incorporate a computer in such a way that its presence does not

intimidate ordinary users. One putative example is a telephone-answering machine designed by Durrell Bishop, a graduate of the RCA and now a research fellow at Interval. This would spit out messages in the form of marbles with solid-state memory chips embedded in them; to replay the message, the user would simply drop the marble

Other items on the research agenda include the combinination of forms of sensory interaction sound and a more subtle use of feel as well as sight and touch. As Crampton-Smith points out: "We are stuck with a keyboard and a mouse and pathetic feedback, so that you have to concentrate on using a computer. You should be able to concentrate on your

Making artificial enzymes



Chemistry by design

Scientists are constructing enzymes artificially, reports Lionel Milgrom

rel of a microscope at a single wriggling cell. It could be a deadly bacterium, a human sperm or a white blood cell. The tiny, writhing glob of protoplasm is a highly efficient chemical factory, doing the same as any other chemical plant the world over - making and transforming chemicals.

The chemical output from a cell is minuscule - micrograms compared with the tonnes from man-made chemical factories. But cells are doing chemistry faster and more efficiently than any chemical plant is ever likely to do. For example, it would require a laboratory the size of Britain to reproduce the number of chemical reactions in a single cell using conventional chemistry.

A cell's ability to package and control complex chemical processes is awe-inspiring. With pressure building on chemical manufacturers to clean up their operations, while remaining competitive and profitable, research chemists are now taking a hard look at how cells do chemistry with a view to mimicking the process.

One area being studied is enzymes, made from large, intriinto the right slot on the machine cately folded, protein molecules. Enzymes can orchestrate almost every chemical process in cells with total finesse, speed and selectivity. They can bring together two seemingly unreactive molecules (by recognising them), make them react (catalysing reactions between molecules which under normal circumstances would not react or would take a long time to do so), and then release the products, ready to start the cycle again. This is all done in than one ten-millionth of a sec-

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ond, with a subtlety that ensures are trying to make, so we can build only one chemical outcome from the many possibilities available. In contrast to the slow, comparatively haphazard progress of man-made chemical reactions, enzymes make and break chemical bonds in a fast and controlled man-

The trouble is we don't know all the rules of this game yet," says Jeremy Sanders, a chemistry lecturer at Cambridge University in the UK. "We want to build molecules that mimic enzymes in order to discover those rules," Sanders adds, and not purely for the chemical insights such a discovery would

rtificial enzymes are being developed from the insights **L**obtained so far. Although inferior to the real thing, they are built out of simpler, tougher, molecular components that are relatively easy for chemists to assemble. Molecules like these could one day help chemists perform their own, largescale chemical processes, much faster and more efficiently.

How is an artificial enzyme made? There are two approaches: by design and by empirical research. In the design approach, a particular system is selected and made, preferably out of molecular building blocks enabling a big molecule (artificial enzymes have to be big in order to contain the reacting molecules) to be assembled in as few steps as possible.

The new molecule is then studied to see how well it binds other molecules and makes them react. "The beauty of this approach," says Sanders, "is that we know what we in rational changes as we go along. The disadvantage is that because we don't know all the rules yet, any molecule we design is likely to fail as an artificial enzyme." In other words, the design approach involves inspired guesswork. Nevertheless, Sanders and his Cambridge team

have had some success. In constructing their artificial enzymes, the researchers adopt a minimalist approach. Their target molecules consist simply of a rigid cavity with several binding sites for other molecules (real enzymes, of course, are more flexible and much more complicated). Nevertheless, one of Sanders's rigid cavities can speed up, by approximately a thou-sandfold, an industrially important reaction, called the Diels-Alder reac-

tion - used to make insecticides. Sanders's rigid cavity accelerates the Diels-Alder reaction much less than real enzymes speed up their reactions. Also, the Diels-Alder products remain strongly bound within the cavity, so that Sanders's molecules are not behaving as true catalysts. Even so, they are much tougher than real enzymes.

In its latest work, Sanders's group has tried out artificial enzymes on a different type of reaction; this time, they behave as proper catalysts. Again, the rate of acceleration of the reaction is nowhere near as good as that achieved by enzymes, but it is a start. "We have a long way to go before we have synthetic enzymes worthy of the name," says Sanders, "but at least we know it

can be done." The empirical approach can quickly generate a large number of molecules - usually big proteins called catalytic antibodies - for testing as enzyme mimics. The most catalytically active ones are then

selected. The disadvantages with this approach are that it can be difficult to identify a catalytically-active species. The very nature of these catalytic antibodies also makes them difficult to modify in any systematic way. Both these disadvantages can lead to problems in figuring out the rules that the empirical approach was intended to understand in the first place.

Nevertheless, Frederic Menger and his chemistry team at Emory University in Atlanta have come up with a simple enzyme mimic based on the empirical approach. It operates in a way that many chemists believe enzymes may have evolved billions of years ago.

nzymes work by bringing together two molecules leav-ing them no choice but to react. Menger uses molecules with long, fatty chains at one end and reactive sites at the other. When the mixture is put in water, the fatty chains cause the molecules to behave like oil and form a clump. As with enzymes their reactive ends are now so close together they react very smartly indeed.

"It's almost as if our randomly created clumps are like random mutations," says Menger.

The artificial enzymes Sanders and Menger have created could be the blueprint for future industrial chemical catalysts. The rules and criteria these and other chemists working in this field are discovering, seem set to revolutionise chemistry in the 21st century.

For men

nofficial estimates suggest that more than 50m men in Europe and the US suffer from impotence. The true figure could be much higher because it is a condition that many are reluctant to discuss with their doctors. Most sufferers go untreated

not least because there are no attractive remedies available. The only drugs sanctioned by health regulatory authorities are muscle relaxants that improve blood flow to the penis. They must be given by injection and the effect lasts an hour or so.

But now, clinical trials have started on a pill which might do the trick. Texas biotechnology company Zonagen has obtained a licence to commercialise research conducted by Adrian Zorgniotti, professor of clinical crology at New York University School of Medicine.

He worked on drugs that had a much more modest effect than the injection. Zonagen's compound seems simply to make a man more likely to achieve an erection rather than trigger an uncontrolled response. It also seems to be more

effective with men who suffer from impotence than those who do not, providing some reassurance to health regulators who fear that the drug will find a market as an aphrodisiac.

But apart from a physiological response, little is known about how it works, admits Joseph Podolski, Zonagen's president. The tablet takes effect about 15 minutes after being swallowed and works best with men whose impotence derives from psychological problems or poor arterial blood flow.

Even its name is under wraps while Zonagen tries to secure patent protection. It was originally developed in the 1950s as a heart treatment and Zonagen fears that without the threat of patent action. manufacturers of the heart treatment will simply offer a tablet version.

At least the trial results should be clear quickly, says Podolski, and a product could be on the market within two years.

Daniel Green



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PEOPLE

Virgin directors take flight compete into the next century. It replaces a system compris-

Three Virgin Atlantic Airways directors are leaving the group as a result of a reorganisation of senior management. A sixperson supervisory board has been created, reporting to executive chairman Richard Bran-

son.
The streamlined structure,

which was devised after consultation with 40 middle managers, is intended to improve the effectiveness and efficiency of the airline's senior manageengineering needs but also ment, and give the 10-year-old company a better structure to

■ Alan Brindle, formerly acting head of London Transport's former tendered bus division, and Michael Ensor, formerly director of purchasing and logistics for the NHS Supplies Authority, have been appointed directors of LONDON TRANSPORT BUSES.

■ Edward Wood, md of Halifax Courier Holdings, has been appointed to the parent board of JOHNSTON PRESS.

■ Vincent Slevin, md of MORE O'FERRALL Communications and chairman of More O'Ferrall Ireland, has also been appointed md of More O'Ferrall Adshel on the resignation of Richard Pears.

■ David Searles, a director of Zeneca Specialties and former finance director of Tloxide, has been appointed group treasurer of ICI; Fred Gray, ICI deputy group treasurer, has been appointed financial director of Tioxide. ■ Roger Cooper, formerly

sales & marketing director, has been appointed and of IDEAL STANDARD, the UK subsidiary of the American Standard Corp; he succeeds Norman Bennett who becomes chairman until he retires at the end of the year.

Bodies politic

seek external customers.

ing two joint managing direc-

tors, reporting to Branson, and

ten other directors. As a result,

Syd Pennington, one of the

joint mds, has left the airline but is in discussions on a possi-

The other joint md, Roy

Gardner, is to become chief

executive of a new company,

Virgin Atlantic Engineering,

which will meet the airline's

ble role within Virgin Group.

■ Sir Austin Pearce, former chairman of Esso and British Aerospace, has been appointed chairman of WARDEN HOUSING ASSOCIATION. ■ Maicolm Roberts, an

independent management consultant, has been appointed chairman of the Eastern Region ELECTRICITY CONSUMERS' Committee. ■ Len Sanderson, advertisement director of the

Daily Telegraph, has been appointed a member of the council of the ADVERTISING STANDARDS AUTHORITY. ■ Malcolm Sevren, customer services director of Allied Carpets Group, has been appointed chairman of QUALITAS FURNISHING

STANDARDS. ■ Bob Heygate, a director of Heygates, has been elected president of the NATIONAL ASSOCIATION OF BRITISH AND IRISH MILLERS. ■ Juha Rantanen, ceo and chairman of the executive

committee of Borealis, has been elected president of the ASSOCIATION OF PLASTICS MANUFACTURERS IN EUROPE. ■ Paul Glenister, md of Paul

Corbett, has been appointed president of the STORAGE AND HANDLING EQUIPMENT DISTRIBUTORS' ASSOCIATION.

leaving because their responsi-

"With this new supervisory

directors and their staff greater

responsibility for the areas

they manage and putting in place the right teams for the right jobs," Branson said.

nally recruited.

■ Shirley Gillingham has been appointed executive secretary of the CHARITY FINANCE DIRECTORS' GROUP and Flemings Senior Research Fellow at South Bank University: she moves from the Charity Commission. Bill Roberts (below), who has just retired as head of Ernst & Young's insolvency department, has been

appointed technical director of The SOCIETY OF PRACTITIONERS OF INSOLVENCY; he succeeds Gerry Weiss.



Sabberwal helps take off the brakes

T&N, the motor components and materials group, yesterday announced the appointment of Amar Sabberwal, chief executive of the company's friction products division, to the board of Japan Brake International, the Japanese vehicle parts

Sabberwal, 60, is expected to strengthen the existing links between T&N and JBI, which in 1990 formed a joint venture company, Ferodo Automotive Products, in Nashville, Tennes-

see, to supply brake pads and linings to Japanese car plants in North America and indigenous US manufacturers. Although Sabberwal will

remain in charge of the fric-

tions business, Colin Hope, T&N chairman and chief executive, says his position with JBI would enhance an association which has "helped T&N to meet its Japanese customers' needs and led to T&N being the first choice supplier to Japanese plants in Europe and the

The move marks the latest in a series of promotions for Sabberwal, who was named an executive director in 1989 after serving on the board of TN Technology. T&N's central research and development facility.

Before that he was managing director of BIP Chemicals and managing director of T&N Materials Research. He is also a non-executive director of University of Salford Holdings.



Hoare Govett, UK stockbroker which now belongs to ABN Amro, the Dutch Bank, has hired Ishbel Macpherson, a 30-something director of corporate finance at BZW, to shake up its smaller company corporate finance activities.

Hoare's senior management need not worry too much about its latest recruit swanning off on maternity leave at the drop of a hat. In an interview with The Independent four years ago, Macpherson affectionately described children as "repellent little boggers" for whom she would be loath to sacrifice her career in

the City. Hoare will presumably hope that Macpherson shows a little more gentleness towards the entrepreneurs who are seeking ways to make their fledgling companies grow.

■ Gareth Jones, ABBEY NATIONAL'S group treasurer has assumed control of its European operations from Charles Toner, md retail. Tony Stradmoor, formerly general manager of Kobayashi & Co, is appointed a director of Martin Bierbaum, another TRIO HOLDINGS subsidiary. Jonathan Lubran, formerly chief executive of Bankers Trust Investment Management, has been appointed md of FOREIGN &

COLONIAL's institutional marketing division; he and Fred Packard, chairman of Foreign & Colonial Emerging Markets, have been appointed to the F&C Management board Gordon McKechnie has beer appointed director of project advisory at NATWEST Markets; he moves from J.P.

Morgan. ■ Edward Bouham Carter, formerly a director of Electra Kingsway, has been appointed a director of JUPITER TYNDALL MERLIN.

■ John Brakell, a founder director of Granville Private Equity Managers, has been appointed to the board of GRANVILLE HOLDINGS.



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Cinema/Stephen Amidon

Sensual promises, wishful thinking

irens is a smug, frothy ode to bohemianism that leaves you wondering if stuffy conservatism might not be such a bad way of life after all.

Set in 1930s Australia, it concerns a young English vicar (Hugh Grant) who is asked to try to persuade the rebellious artist Norman Lindsay (Sam Neili) to remove an allegedly blasphemous painting from an exhibition. The vicar travels to the painter's remote studio accompanied by his new bride (Tara Fitzgerald), the sort of repressed Englishwoman abroad who has become a stock-in-trade in art house cinemas of late.

The buttoned-up couple discover that Neill leads a seemingly amoral existence with a free-thinking wife and three dishy models, all of whom pose naked for his racy, idiosyncratic paintings.

The vicar proves no match for all that naturalism, while his wife soon lets her hair down, aided by a steamy encounter with a brain-damaged ranch-hand who looks like a blind Chippendale.

The promise of Elie Macpherson (as the lead model) turning Hugh Grant on to the more earthly pleasures in a film which espouses creativity over convention should have proved a winning formula.

Unfortunately, the film's celebration of artistic freedom is so self-satisfied that it defeats itself at just about every turn. Neill and his models are so piously cocksure about their lives that it is they who come across as the fundamentalists utterly contemptuous of anybody or anything that does not fit their narrow sensual

Grant and Fitzgerald, mean while, prove to be the only real human beings, flawed yet likable characters who are willing to listen, grow and love. You soon pity them for hav-

!)_!-,:

ing to endure this squad of cul-tural onanists for more than a few minutes. Now, if this ironic reversal had been intended it would have made for a fine comedy, but director John Duigan takes his bohos seriously, littering the film with Edenic imagery of snakes and apples and references to

lost paradises.
Indeed, there is something brazenly two-faced about a film which lectures you on the value of artistic integrity while shoving a nude supermodel in your face at every opportunity. Grant's and Fitzgerald's

SIRENS (15) John Duigan

LOVE AND HUMAN REMAINS (18) Denvs Arcand

THE FLINTSTONES (U) **Brian Levant**

SNOW WHITE AND THE SEVEN DWARFS (U) David Hand

> MY GIRL 2 (PG) Howard Zieff

eventual conversion to a more ensual life is utterly unbelievable, more a product of wishful thinking on the director's part than anything intrinsic in the

Where Sirens is never more than a pale imitation of art, Love and Human Remains looks like the real thing. French Canadian director Denys Arcand's first English language feature has the messy, enthralling feel of modern life. It centres on David (Thomas Gibson), a gay actor who rooms with Candy (Ruth Marshall), a depressive book

She secretly loves him, while herself serving as the object of the frustrated affections of a lesbian schoolteacher and a married bartender. David, meanwhile, divides his time between his womanising best friend, a confused rich boy and a clairvovant dominatrix

While Arcand might not reach the dizzying mythic heights of his Jesus of Montreal here, he does manage to create a film whose honesty is disturbing. For the most part, he avoids emotional clichés and facile resolutions as he charts the interactions of this diverse group. David believes he can live without love yet finds that this refusal causes pain to everyone around him, while Candy wrongly thinks she can

love several people equally. It is only in a gratuitous sub-plot involving a serial killer that Arcand falters – his vision is much too strong to need such artificial bolstering.

The Flintstones is a curious cultural phenomenon. Not a film in any meaningful way, it is rather a \$30 million exercise in problem solving on the part supremo Steven Spielberg and his crew. Can the filmmakers accu-

rately reproduce the classic Hanna-Barbera cartoon using live actors and real sets? Can they create a world in which everything is made of leather and rock, where dinosaurs and people coexist, where every name is a paleolithic pun? Can John Goodman as Fred bring to mind the shambolic presence beloved by a generation of couch potatoes? Can the special effects boffins fabricate a credible Dino?

It is a measure of how dismal the film is that, even though the answer to all these questions is yes, you are still left with a tediously pointless 90 minutes. The few good moments - a living garbage disposal, a soap opera called The Young and the Thumbless" - are not nearly enough to sustain a project which completely abandons the adult irony and Middle America satire that makes the cartoon so enjoyable.

The filmmakers must hope that we are so dopey with nostalgia and impressed by the film's dubious cartoon-into-life alchemy that we will forgive them for not bothering to entertain us.

Or maybe Spielberg just had some dinosaurs left over from Jurassic Park.

At the end of The Plinistones there is a moment when a prehistoric bird, facing imminent extinction, rues not having signed a contract with Disney. "They would never have done this to me," he quips.

How true, as this week's reis-sue of Snow White and the Seven Dwarfs reminds us. It is nice to see that there are still on show examples of animation created by people who believe in the art form.

Interestingly, the Disney classic is not the most schmaltzy film on offer this week. This distinction must go to My Girl 2. For those who missed the original episode - congratulations. That said, at least the first instalment provided the unalloyed pleasure of watching Macaulay Culkin die horribly in a bee-sting accident.

No such luck here as Anna Chlumsky, now 13, reprises her role as the motherless girl with a heart of gold. As part of a school project, she travels to L.A. to research her dead mother's life, discovering that she was in fact a serial killer and an S&M hooker who . . . just kidding.

The film's only distinction is its uncanny ability to present a world in which everyone, Angeles Police Department, is unfailingly nice. Good soundtrack, though,

Nigel Andrews is on holiday.



Amoral existence: Sam Neill as Australian artist Norman Lindsay surrounded by his bohemian models in 'Sirens', including supermodel Elle Macpherson (left)

Theatre/Martin Hoyle

The Miracle Worker

hat an extraordinary play The Miracle Worker is. Such a standby for provincial reps, such an easy option for tatty tours. Yet despite vague memories of William Gibson's 1959 Broadway success as a well-tailored tear-jerker, the piece works theatrically every

Of course, the plot is fool-proof: the true deaf and dumb and reduced to the status of an imperfectly domesticated animal. was rescued from this living death by an inspired teacher, Annie Sullivan, half-blind herself and from a heart-rendingly deprived background.

The moment of breakthrough towards the end of the play, when the wild and speechless child makes the connection between the finger-language words pressed out on her palm and the actual outside world, is tremendous theatre. I defy any cynic to be unmoved.

The scene passes with flying colours in the production by Richard Olivier at the Comedy Theatre, even cast with a shrewdlooking Helen, for whom communication is patently only a matter of time, and an Annie whose cool confidence is never really in doubt. If juvenile memory serves me. London's

original Annie was Anna Massey, whose gawky, homely vulnerability marked her as potentially one of life's losers. She had to fight to survive, let alone sustain the effort of will to drag her Jenny Seagrove: an obvious heroine

pupil into the world. Here we have Jenny Seagrove, fine-boned, delicate, beautiful, an obvious heroine figure despite all her anguished, haunted recollections of the little brother who died in the workhouse. Catherine Holman gives a technically remarkable performance as Helen, convulsive, scenting strangers like an animal, switching from tantrums to the pathetic demand for comfort and reassurance. But she misses the frighteningly feral The Comedy Theatre.

quality that some actresses have brought to the role. There is no need to be brought up by wolves to be wild; helplessly indulgent parents in well-to-do Alabama in the 1880s will do the trick for you just as

The play is funnier than might be expected, the humour centring on the blusteringly bewhiskered paterfamilias, Captain Keller. There are queasy hints that he is meant to be a lovable old softy - and a wispy sub-plot concerning tensions with his grown-up son steer dangerously near the squelchy quicksands of pop'n'junior plays - but William Gaunt gives him tough authority.

Judi Bowker's Mrs Keller is also a rounded character, understandably inclined to indulge her maimed child. If, as with other aspects of the production, Annie's struggle to tame her bristling, isolated pupil looks a trifle contrived - one long, soundless physical scuffle is as elaborately choreographed as any western saloon-bar brawl - the message emerges clearly.

For Annie Sullivan it was not enough to transform the untamed creature into a clean, napkin-wielding household pet; Helen had to be made as aware of, and as hungry for, the richness of life as any normal person. Here acting, production and the play itself come into their

Peter Brooke bows out

Brooke was about to lose his job as the national heritage minister. Always good humoured and laid back, he has seemed even more relaxed in recent weeks as he dutifully attended the arts functions, the heritage briefings, the broadcasting confrontations and the sports meetings which litter the life of the Minister of Fun. He only got the job because

of the sudden crisis in September 1992, when David Mellor. the prime minister's friend and the main advocate of the new ministry, was forced out of government. Brooke was chosen as a safe pair of hands who, at 58, harboured no great ambitions. He has done his duty with urbanity and pragmatism and leaves with the warm goodwill of most of the disparate band of supplicants who look to the heritage minister for funds.

His great achievements were getting the Lottery up and running with little fuss, and securing a new charter for the BBC. He has proceeded slowly and safely with other broadca reforms; he has proved a friend of the media by not rushing through a draconian Privacy Act; and as a collector of watercolours and an old-fashioned gentleman he was a quiet supporter of the heritage

He cut the Arts Council grant this year - the first time ever - but he will argue that he fought his corner against an axe-wielding Treasury with skill. Things might have been worse and the total budget of his ministry increased, quite an achievement.

He reformed the gently, making it more accountable. Perhaps his greatest long-term contribution was to strengthen its management by appointing Lord Gowrie as chairman, and names such as Trevor Nunn and Richard Rogers as members.

ike his predecessors

Brooke failed to get to grips with the British Library juggernaut, which acts like a leech on his budget and got him embroiled earlier with the Commons Heritage Committee, which yesterday released a scathing report. He also lacked imagination in dealing with the powerful British film lobby: the UK still

starves its movie makers of necessary financial incentives. His main blunders were small but emotive. He failed to catch the public mood after fire destroyed part of Windsor Castle and unwisely pledged government money for the rebuilding, and he somehow messed up the D-Day commem-

if John Major was looking for an excuse to shed him, rousing the ire of the strongest Conservative lobby in the land

provided it. But Peter Brooke went and because he was too sensitive and restrained to bang the promotional drum. The Heritage Ministry was designed as a vote winner for the government, to spread a powerful feel-good atmosphere throughout the land. Mellor had the

personality to lead the parade; it went against Brooke's grain. It might suit Brooke's successor, Stephen Dorrell, rather well. He is a politician on the make. He will see heritage as a step up the ladder. He will raise his profile through the ministry, and be keen to demonstrate that this is one government department that sees its job as improving the mentai, and physical, health of the people. He is as much the newstyle politician as Peter Brooke represented the dying breed.

Antony Thorncroft

Recital

Message lost in double Dutch

Almeida Festival has brought us the Schoenberg Quartet from the Netherlands, and in turn they brought us not only two works by their eponym, but two recent Dutch pieces.

One of them was Louis Andriessen's 1991 quartet Facing Death, from about the time of his De Materie - an imposing success, as I reported here. at the South Bank's Meltdown festival; so I went. There is nothing much new

to report about Andriessen. Like each movement of De Materie, Facing Death (title unexplained) explores a narrow vein at relentless length. here a jazzily syncopated tupe in innumerable variants and simple counterpoint.

It just about succeeded in

holding our interest, and might do so a second time or even perhaps a third; but around then its sell-by date may have passed. Such obsessive, closefocus treatment works better as a segment of a larger whole than as a self-standing piece at least when it takes some 20

hectic, exhausting minutes.

Though the Schoenberg Quartet are doughty players. they missed the degree of gleaming precision that Reinbert de Leeuw got from his De Materie bands, and there were occasional lapses in pitch.

Yet they are a keen, intelli-gent ensemble: blunt and sometimes - to non-Dutch ears, anyhow - even graceless, but attentively musical and fully equal to severe technical demands. In Schoenberg's Ode to Napoleon (after Byron) they gave us a superbly lucid performance, better than almost any I have heard of this gritty, angry piece, and Michael Grandage delivered the text with

Sepp Grotenhuis, the excellent pianist in the Ode, sounded odder in Webern's quintet-version of Schoenberg's evergreen Chamber Symphony

Certainly Webern's arrangement sets knotty problems of balance - even more than the original! - but can Grotenhuis really have listened to the original, so as to learn what he was standing in for? In the event he let subsidiary voices loom up like the Kraken's how! while understating the crucial weirdly fascinating if you already knew it, baffling (though maybe exciting) if you didn't.

opaque to me. There is perhaps a dense

David Murray

INTERNATIONAL

FESTIVALS

EDINBURGH

• This year's festival (Aug 14-Sep 3) is one of the most ambitious of recent years, spurred by the opening of a major new venue, the Edinburgh Festival Theatre.

• The drama line-up is headed by Peter Stein and Robert Lepage. Stein presents a Russian cast in a seven-hour production of Aeschylus' Oresteia trilogy (Aug 25-28), while Lepage premieres his new work The Seven Streams of the River Ota, the river which runs beneath Hiroshima (Aug 14-21). Among the other theatrical works on offer are Goethe's Torquato Tasso in an English translation (Aug 15-20); J.M. Synge's The Well of the Saints from Dublin's Abbey Theatre (Aug 24-28); two Shakespeare plays - the Berliner Ensemble's German-language production of Antony and Cleopatra (Aug 16-18) and a French-language production from Orleans of The Winter's Tale (Aug 23-25); and the UK directorial debut of Luc Bondy in a quintessential international

lestival production, a wordless play

by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep

by an Edinburgh favourite, the Mark Morris Dance Group (Aug 20-22). followed by the Lucinda Childs Dance Company (Aug 23-25) and Merce Cunningham Dance Company (Aug 27-28).

composer this year. Scottish Opera presents the opening production of Fidelio, All nine symphonies will be played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets. Among the musicians involved are Alfred Brendel, Andras Schiff, Richard Goode, the Borodin Quartet, Frans Brüggen, Charles Mackerras, Christoph von Dohnanyi and Günter Wand Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return, conducting the Australian Opera's production of Britten's A Midsummer Night's Dream (Aug 25-27). Donald Runnicles conducts the opening performance of Mahler's Eighth Symphony on Aug 14, and Charles Mackerras the closing

Official Festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257

■ GLYNDEBOURNE

cracking start with Graham Vick's

The new theatre has made a

performance of The Dream of

Gerontius on Sep 3.

new staging of Yevgeny Onegin with Yelena Prokina as Tatyana (final performance on Sun), a revival of Glyndebourne's classic production of The dance programme is headed The Rake's Progress in David Hockney's sets (tonight, also July 27, 30, August 2, 5, 8, 11, 14) and the new Simon Rattle/Deborah Warner

production of Don Giovanni, with a cast led by Gilles Cachemaille (July 22, 26, 29, August 1, 4, 7, 10, 13, 16, 19, 21, 24). Trevor Nunn's 1992 Beethoven is the main festival production of Peter Grimes is revived on July 31 with a cast

> ■ LUCERNE Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous alant. Focal points this year (Aug 17-Sep 10) are a 70th birthday tribute to Swiss composer Klaus Huber (whose new piano concerto will be premiered by Andras Schiff) and a wide ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's Winterreise, including a new opera. There will also be a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever, with leading orchestras from Berlin, Vienna, Amsterdam, Cleveland and Dresden (041-235272)

headed by Anthony Rolfe Johnson

and Vivian Tierney (0273-541111)

■ MACERATA

This year's operas are Carmen, La boheme and L'elisir d'amore. The Bizet, conducted by Alain Guingal

and staged by Gilbert Deflo, has changing casts including Denyce Graves/Lucia Valentini Terrani in the title role and Neil Shicoff/Fabio Armiliato as Don José. Giusy Devinu sings Mimi in the Puccini, and the Domizetti cast is headed by Valeria Esposito, Pietro Ballo and Enzo Dara. The festival runs till Aug 13

OSLO

Founded by Norwegian violinist Arve Tellersen in 1989, the Oslo Chamber Music Festival has quickly won a reputation for conviviality and musical quality. Concerts take place in churches, castles and concert halls around Oslo, with each year's programme focusing on a different country. This year (Aug 5-13) is Britain's turn, with music ranging from Byrd and Bridge to David Matthews and Oliver Koussen. The Nash and Hilliard Ensembles are taking part, while Truls Mork will play Elgar's Cello Concerto and Yuri Bashmet gives a viola recital (2255 2563)

■ PESARO

This exquisite walled town on the Adriatic was Rossini's birthplace. Each year it brings together genteel lovers of the Italian maestro's music. who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers. This year's programme (Aug 11-29) includes a new production of the one-act dramma giocoso L'inganno felice, staged by Graham Vick and conducted by Carlo Rizzi; a revival

of the 1992 production of Semiramide, with Roger Norrington making his Pesaro conducting debut; and L'Italiana in Algeri starring Jennifer Larmore (0721-33184)

SANTA FE

Göran Jarvefelt's 1984 production of Intermezzo is revived on Sat, with Sheri Greenawald and Dale Duesing as the Storchs (sung in English). This year's new productions are Il barbiere di Siviglia, staged by Francesca Zambello and conducted by Evelino Pido (till Aug 26), Tosca staged by John Copley with Mary Jane Johnson in the title role (till Aug 27), and Entführung directed by Graham Vick (till Aug 24). The American premiere of Judith Weir's Blond Eckbert takes place on July 30, less than four months after the opera was unveiled by ENO in London (505-986 5900)

■ TANGLEWOOD For more than 50 years, the Boston

Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. This weekend's concerts are conducted by Leonard Slatkin and Seiji Ozawa, with three piano soloists · Alicia de Larrocha, Maria Tipo and Christian Zacharias, Saturday's concert includes the world premiere of Lukas Poss's new Piano Concerto. Next week's visitors include Ute Lemper, Richard Goode and Anne Sophie Mutter. The festival runs till Sep 4 (Ticketmaster Boston 617-931 2000 Western Massachusetts 413-733

2500 New York City 212-307 7171 other areas 1-800 347 0808)

■ TORROELLA DE MONTGRI

Catalan town six km from the sea on the Costa Brava, but it is not primarily a tourist resort. The town is architecturally typical of the Empordà, and is set in beautifully natural surroundings. The summer music festival, which runs till Aug 26, mixes Spanish artists of the calibre of Giacomo Aragall and Jordi Savall with international guests such as the Franz Liszt Chamber Orchestra and the Choir and Orchestra of the St Petersburg Capella (072-761098)

VADSTEJNA

Vadstejna's annual opera festival takes place in the historic buildings of this charming medieval town 250 km south-west of Stockholm. The second and final production this year is The Various Adventures of Mrs Björk, a tragi-comedy by Swedish composer Staffan Mossenmark based on a novel by Jonas Cardell. This opens on July 28 and runs till August 12. There will also be an opera gala in the Vadstejna Castle courtyard on August 7 (Tickets 0143-10094 Information 0143-12229)

grand Byronic flair.

no.1 for 15 instruments.

I hesitate to mention the fourth work, the First Quartet of Klaas de Vries, because I could make no sense of it. I could describe it - its elements are not complicated, and they include some deliberate (very faint) echoes of earlier quartets; but what it thought it was saying, or doing, remained

Dutch sub-culture of musical avant-garderie which has taken different turns from those familiar elsewhere; if one doesn't know the local history. its latest products may well be

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Commence of the second control of the second

Traders and greens caught in a net

Agreement on Tariffs and Trade panel against the US in 1991 for banning Mexican tuna exports, because they were fished with nets which also caught dolphins, American greens saw red. On posters and in newspaper advertisements, they attacked "Gattzilla" as a rampaging dinosaur, brutally trampling on ecological safeguards and national sovereignty.

The tuna-dolphin case has since become a potent symbol mental and trade policies and of the heat it can generate. Environmentalists sneer at the trade community as bloodless zealots, who worship only economic efficiency.

Free traders, meanwhile, deride environmentalists as wild-eyed idealists with poorly thought-out goals which, implicitly or explicitly, favour protectionism

These mutual hostilities have not favoured rational debate on a subject which is commanding growing international attention, but about which much remains uncertain. The relationship between trade and environment policies is so poorly charted that it is hard to be sure how far they genuinely conflict - or whether the controversy is mostly politically contrived

Esty, a former US environmental policy official, declares his interest at the outset. He insists serious issues are at stake because environmental problems increasingly cross frontiers. Many trade experts would dissent. But judging by the plaudits for his book from both sides of the divide, he has set out the opposing arguments with exemplary fairness.

His starting point is that the focus of environmental policy has shifted from crude curbs on smokestack pollution towards reliance on market forces to change individuals' behaviour. The result is growing interest in the principle of "the polluter pays", in pricing mechanisms and in ensuring that environmental costs are properly internalised.

Yet economic disciplines can work only if agreement is first reached on the value of the assets concerned - a question GREENING THE GATT: Trade, Environment and The Future By Daniel C. Esty Institute for International Economics, Washington DC 344pages, \$19.95

on which opinions can differ widely. What, for instance, is the value of a pretty view? On such questions, Esty argues, political judgments are

However, he says, environmentalists lack a suitable institutional framework, of the kind Catt has provided in trade, in which to forge international consensus on rules and their enforcement. As a consequence, the environmentalist cause remains splintered, poorly focused and prey to special interest lobbles.

Esty's preferred solution is a Global Environmental Organisation, which would set world-wide standards and settle disputes. However, he is honest enough to admit that - barring some global ecological catastrophe - the idea is politically a non-starter.

But when Esty seeks alternatives, his balance starts to wobble. In striving to be evenhanded, he becomes enmeshed in convoluted arguments, the implications of which he does not always fully explore.

On the one hand, he accepts that unilateral trade sanctions are a poor way to enforce environmental standards: often, they lead to evasion or inflict economic damage without solving environmental problems. Far better, he says, to use financial incentives to encourage adoption of higher standards. Equally reasonably, he suggests that Gatt disputes settlement procedures be made more transparent and involve

more environmental expertise. Yet he says Gatt rules should nonetheless be changed to permit greater recourse to trade measures for environmental reasons, because the US and some other members will probably impose them anyway.

The notion is flawed. Not only does Esty admit that Gatt is a far from ideal body in which to settle environmental issues. But he implies that internationally agreed rules

must be bent to suit the vocal political lobbies in powerful economies which he earlier disparages. The same case could be made to condone sanctions against low-wage exporters or to justify the enormities of the European Union's Common Agricultural Policy.

Theories about the

way to keep one's head above water is to examine together clusters of ideas with a com-

mon core, even though this does less than justice to each

individual variant. A cluster,

known for a long time but

growing in popularity, is called

the 'wedge theory'.

The wedge is the gap between what the employer

pays in wages and what the

worker takes home. In its sim-

plest form it runs: there are so

many add-ons on top of the

wage bill to pay for social ben-

efits that labour has become expensive to employ. Non-wage

labour costs were estimated by

a House of Lords report to

amount to 44 per cent of total

labour costs as an EU average

but 'only' 30 per cent in the

UK. In Japan they were 24 per

cent and in the US 28 per cent.

Businesses understandably

seek to avoid these add-ons by

mechanisation, labour-saving

drives, macho-management

As Anthony de Jasay has

put it: "Social protection costs

more than it is worth to at

least some of those that it pro-

tects. The result is that, at the

margin, employment is taxed

more than the subsidy is worth

to workers...and there is a

net extra burden on the econ-

omy. Enterprises have to

restructure and unemployment

Why are these wedge theo-

ries so familiar? It is because

they have been previously pro-

mulgated in a very different

political setting by leaders such as Harold Wilson, UK

Labour prime minister in the

Wilson called the wedge the

'social wage'; and he used it to sell pay restraint, arguing that

real wages were much higher

than take-home pay because

part of workers' remuneration

took the form of welfare state

benefits, such as health, educa-

tion, social security and so on.

He used this notion in his cam-

One of the most numerically

sophisticated recent attempts

to stand up the wedge doctrine

has come from a US securities

economist, John Muellers. He

relates unemployment to what

economists used to call 'effi-ciency wages', that is pay

adjusted for prices and produc-

tivity. He shows that, on plau-

sible assumptions, efficiency

wages can be approximated by

labour's share of the national

income'. To arrive at the latter

he subtracts from gross pay

paign for pay restraint.

1960s and part of the 1970s.

is born of social protection."

and so on.

unemployment arrive

Esty raises more problems when he tries to construct general principles under which Gatt might reasonably authorise use of trade measures. His idea that they should be allowed in support of environ-mental policies which enjoy wide "moral" legitimacy inter nationally or address "global" problems looks suspiciously like a formula for endless hairsplitting debate about matters on which even scientists find it hard to agree.

The water is muddied still further by his proposal that the Gatt clause which authorises bans on products for environmental reasons should be extended to production methods. Not only would that heighten risks of trade conflict by elevating local environmental problems to international status; but by switching the onus from protecting consumers to disciplining producers, it would create immense administrative difficulties.

How would environmental standards at millions of factories worldwide be monitored? How would customs officers identify offending products, such as microchips which had been processed using ozone-unfriendly CFCs? And why should producers necessarily respond to trade sanctions by raising environmental standards, rather than by lowering them still further to cut costs?

That Esty provides no satisfactory answers is less a criticism of his book, which is an honest attempt to make sense out of confusion, than an illustration of the difficulties of policymaking while so much in the trade and environment debate remains unclear. The immediate need is not for more solutions, but for rigorous and objective analysis to clarify the true nature of the supposed problems, and how much they

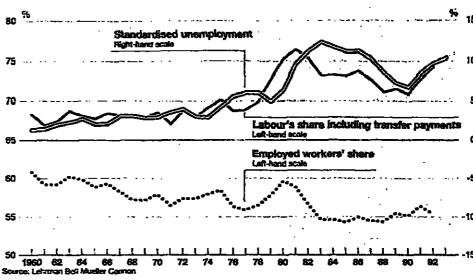
> Guy de Ionquières | taxes on labour, such as pay-

ECONOMIC VIEWPOINT

'Wedge' versus 'social wage'

By Samuel Brittan

UK labour costs and unemployment



roll levies and a share of income tax. He adds on domes tic transfer payments, which

are mainly for social security. The adjusted series throws light on one paradox why has UK unemployment risen so much over the last decade and half when the combination of labour market shakeout and Thatcherite policies has pressed down on pay relative to profits? The accompanying chart suggests that although the employees' share of the national income has fallen, labour's share, after making the fiscal adjustments just described, has actually been 5

to 10 percentage points higher than it was in the 1970s. There are several points to clarify. It is not always realised that there is little difference, apart from presentation, between social security contributions levied on employers and those levied on employees. Both will be passed forward into the cost of labour. For instance, the main impact of UK mainstream National Insurance contributions derives from their total weight of just over 20 per cent, rather than from the fact that they are divided almost equally

between employers and

In some European countries with high payroll contributions, a shift from payroll taxes to income taxes or indirect taxes such as VAT has been discussed. But this would not solve the problem either. Income tax is - like payroll taxes - an almost proportional

The focus on non-wage costs is questionable. All per capita labour costs matter

levy on wages and salaries. with some alleviation at the bottom of the scale. Indirect taxes are taxes on that proportion of income (about 90 per cent) that is spent. If workers have the market power to make employers recoup in higher pay the burden of payroll taxes, they also have the power to recoup other taxes levied directly on their incomes or expenditure.

The wedge theory was originally advanced not as an expla-nation for unemployment, but as a warning about the distortions to the supply of effort which too ambitious a welfare state could impose. This can be seen from the earlier writings of Assar Lindbeck, the Swedish economist who pioneered the

wedge theory when Sweden still had full employment. The wedge may nonetheless affect employment for three

 Workers do not value the social wage as much as takehome pay, and at the margin are less inclined to take jobs or more inclined to work shorter hours. Unemployment of this kind is surely voluntary. Union representatives do

not fully take into account the social wage and insist on higher settlements than they otherwise would, to recoup the tax wedge. As a result, workers are priced out of jobs. • There are many factors

other than the immediate state of the labour market that determine employers' pay offers. These factors cover ideas of fairness and a desire for labour goodwill. They discourage employers from trying to recoup the wedge in lower pay, but they respond by cutting payrolls instead.

Other questions arise. Why should the size of the wedge be limited to benefit expenditure? De Jasay includes all welfare expenditure - health and edu-cation as well as benefits. But why stop even there? Surely taxes on workers to pay for military expenditure, public administration or luterest on the national debt are just as

much part of the wedge. What then are the policy implications of the wedge the ory? Many of the academics who espouse it suggest that social security contributions should be actuarially related to benefits. In other words, contributions to finance the dole should be related to the chance of falling out of work in the particular occupation; and social security rates should be sufficient to finance state pensions on normal actuarial

n these circumstances. the argument goes, payroll levies would be for defined benefits, for which workers would be prepared to pay without recouping in wages. The view is plausible only if the actuarial contributions are also voluntary - in which case a social security system could hardly be said to exist. Moreover, the actuarial principle could not realistically cover health and education, let alone non-welfare spending. The whole focus on non-scage

labour costs is open to suspicion. It appeals to politicians because it looks less like union-bashing; and British ministers can also feel self-satisfied because the burden of these costs is less in the UK than in other EU countries. But it is surely total labour costs per head which determine whether it is worthwhile to employ an extra person. These include pay and non-pay elements. Some of the latter escape measurement, such as restrictions on hours or on adjusting pay fully to age, experience or skill. All these things make workers expensive and it is arbitrary to pick on any one of them. 'Pricing out of work' is still the best encompassing formula.

' House of Lords Select Committee on European Communities, HL paper 43, April 19 1994. Anthony de Jasay. A Vicious Circle of Social Kindness, Financial Times, April 29 1994. ³ J Muellet A Challenge to Conventional Labour Market Wisdom, Lehrman, Ball, Muciler, Cannon, 110 North Glebe Road, Suite 1060, Arlington, VA 22201. Assar Lindbeck, The Welfare State, Edward Elgar, 1993.

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THE EDITOR

Number One Southwark Bridge, London SE1 9HL

UK needs effective opposition, not petulant and petty outbursts

From Sir Colin Chandler. Sir, With Mortimer on foreign affairs, Brittan on economics and Rogaly on politics, there's not much need to look elsewhere - congratulations on such an excellent team.

But can I take issue with Joe Rogaly, whose recently expressed enthusiasm for a change of government is perhaps ahead of itself? With almost certainly two and perhaps three years to go before the next general election should he not be emphasising the need for an effective opposition party in the interim? Otherwise the job will be left, as it increasingly has been, to the less objective sections of

party depends not just on one person, its leader, but on the whole team, and I for one have

been disappointed with the per-formance of most shadow cabinet members recently. One example was a seemingly petulant and petty outburst by Dr David Clark, the shadow defence secretary, on the government's recent announcements about agreed orders for

defence equipment.

And an effective opposition

a contract for 259 Challenger 2 main battle tanks. Dr Clark dismissed this plece of good news for manufacturing indus-try as old news dressed up for the parliamentary occasion. In fact, the secretary of state for defence announced the government's intention to purchase up to 259 Challenger 2 tanks on December 1 1993, Without detracting from that announcement, I am sure that even Mr

This company benefited from

Malcolm Rifkind would agree | Millbank | London SWIP 4RA

not necessarily count for very much. What does count, for the Army, for the taxpayer, for this company and its suppliers, is the quantity of tanks, the specification, the delivery dates, the price and the payment terms. To have agreed all of those in 7% months is remarkable by any commercial standards.

If Dr Clark had instead said the decision was good news for industry but should have been taken a long time ago, I would have more confidence that 15 years in opposition had been world rather than practising the art of empty slogans. Colin Chandler. chief executive, Vickers,

Millbank Tower,

Unemployment factors also a myth

Sir, Peter Robinson (Personal View, July 18) usefully dismisses some of the myths surrounding the current debate on employment and unemployment. But he concludes by perpetuating a myth of his own. He alleges that it is the decentralisation of pay bargaining and the abolition of incomes policy in the private sector which have been responsible for a worsening inflation/unemployment trade-off in the UK and, hence, the country's

From Mr Andrew Sentance.

That is the wrong conclusion to draw from the experience of the 1980s. The secular rise in UK unemployment was mirrored in other European countries which did not experience the same changes in pay bar-

currently high jobless total.

gaining structure. Many of them have very centralised systems of pay determination. Moreover, this European experience stands in stark contrast to the US - which has a very decentralised system of pay bargaining, and where unemployment has not followed the rising trend apparent in most of Europe.

There is no simple link between pay bargaining systems and unemployment experience across different countries. The key to maintaining a high level of employment is real wage flexibility, so that unpleasant shocks are reflected in lower labour costs rather than rising unemployment. Real wage flexibility can be achieved under centralised pay bargaining systems in corporatist economies (eg. Germany and Scandinavia). But it is also a feature of the decentralised system in the US.

If there is any conclusion to be drawn about pay bargaining structures and real wage flexibility, it is that overlapping centralised and decentralised structures combine the worst of both worlds. So, having embarked on the decentralised route, Britain's best chance of improving its unemploy-ment/inflation trade-off would be to continue in that direc-

Andrew Sentance, Centre for Economic Forecasting, London Business School. Sussex Place,

Good news for product safety in Europe

From Mr Stephen Crampton. Sir, Stephen Sidkin and Nigel Miller ("Stay secure on safety", July 19) appear to take a dim view of the quality of British manufacturing industry. They apparently regard requirements to supply safe goods, to warn purchasers about any particular risks, to investigate complaints and to for reputable UK manufactur-

"costly and onerous". It is not one that we share. It is true that the European General Product Safety Directive provides (to us welcome) additional protection for consumers, although the UK is unlikely to take up all the powers which the directive sets out. But it is also good news

competitors will now be subject to similar obligations to those set out in the UK's 1937 Consumer Protection Act. Dangerous products cross frontiers and this legislation is a boost for consumers for fair competition and for the Single Market. Stephen Crampton. secretary,

Consumers in Europe Group, recall dangerous products as ers because their European | 24 Tufton Street, London SW1

Too costly to dress up

From D A Ogilvie-Ward I read with dismay Clement Crisp's pompous article (Arts: "The decline and fall of ele-gance", July 18) about dressing up for Covent Garden.

I would love to dress up to go to Covent Garden, but as I have to buy my own ticket to attend the Royal Opera House (and also English National Opera) on a regular basis, I am only able to afford a seat in the lower or upper stips if I wish to see all the new and the old operas. As an office worker, there is not enough time for me to have a meal before the performance; and, as I have to leave promptly at the end to catch a late train home, I picnic on the stairs in the interval (this also keeps my costs down for the evening). Besides, there are often long queues in the smoke-filled bars.

In the circumstances. I prefet to be a regular opera-goer even if it means sitting in a cheap seat - among the real opera buffs who go to see and not to

D A Ogilvie-Ward, 77 Topstreet Way, Harvenden. Herts AL5 5TY

Simplistic view of rail situation

From Dr Chris Rowley. Sir. The FT's coverage of the railway signal workers' dispute (such as "Signal workers reach crucial turning point", July 13) is over-simplistic. It continues to ignore that:

 The RMT union has little option but to pursue the long-standing grievances of the signal workers, particularly as these workers had their own union in the past.

• If Railtrack forces a cessation of the strikes, it may not end grievances and conflict in the signal boxes. · Fewer, larger, hi-tech signal boxes, each covering many miles of track, will greatly

enhance the strategic power of the remaining signal workers in the future. Chris Rowley, lecturer, human resource manaoement Cardiff Business School.

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Thursday July 21 1994

A soft-shoe reshuffle

Mr John Major's new cabinet. announced yesterday, is not unlike the one that preceded it. The significance of the reshuffle was greater in the anticipation than the deliverance. Weeks of advance fanfare have been followed by the quiet rasp of soft shoes. Three ministers who had long been ready to leave office did so; one was dismissed for poor per-formance. There was rather more changing of titles and offices in the middle and junior ranks of the administration, but that is a stan-dard way of keeping backbase. dard way of keeping backbenchers in a state of hope of preferment. It is a whip's strategem This is not to say that the

changes are a nullity. The new faces may be better on TV than the old. Mr John Patten was hardly a success as education sec-retary, Mrs Gillian Shephard, a former teacher, is likely to soothe the profession and bed down the national curriculum. She may not be a creative policy-maker, but she should be a safe pair of hands. Mr Peter Brooke, unexpectedly brought in from retirement to serve at national heritage, did so with moderate distinction. His successor. Mr Stephen Dorrell, is one of the brighter characters in the mini-drama. For him heritage may be a disappointing ticket to the cabinet room

The move of Mr Michael Portillo to employment will test both his administrative abilities and the government's intentions on education and training. He is as rightwing as his predecessor, Mr David Hunt, was left, but the portfolio does not offer unlimited scope for demonstrating either proclivity. He will team up with Mr Peter Lilley, right-wing secretary for social security, to introduce the new Job Seekers Allowance.

Mr Portillo is succeeded as chief secretary by Mr Johathan Aitken, another Eurosceptic. Mr Jeremy Hanley, previously unknown, tinue the struggle to put a distitute stamp on his government.

He has taken over an institution whose performance can hardly

Lord Wakeham had outstayed his usefulness in the upper house. He deserved his unofficial title of "Lord Fixit" but recently too much legislation has emerged from the Lords in a broken state. His job has been subdivided. One of his successors, Viscount Cranborne, will bring a Cecil back to prominence among Conservatives; another, Mr David Hunt, may become as adept as Lord Wake ham was at smoothing troubled waters, arranging deals, spotting hazards, fixing it. Mr William Waldegrave deservedly survives, and moves to agriculture. At transport, Mr John MacGregor had for some time intimated his readiness to retire; his replacement, Dr Brian Mawhinney, is good at presentation.

At best, yesterday's changearound marks a small but discernible step in the long battle by the prime minister to recover his administration's authority. The previous steps are well-known. The government was blown off-course in September 1992 when sterling was ejected from the exchange rate mechanism. Stability has been restored, at the cost of ceding greater influence over monetary policy to the Bank of England. The electorate is proving slow to respond to the improved economic outlook but it may do so in time. The Conservative party's divisions over Europe have been papered over.

In short, the cabinet reshuffle may be taken as evidence that the government believes it has passed through the nadir of its unpopu larity. It probably has. As part of the process of regaining poise, yesterday's moves are unlikely to harm Mr Major. Nor are they likely to prove memorable. The prime minister is doomed to con-tinue the struggle to put a distinc-

Euro-follies

The newly elected European able, but wrong-headed. Technol-Parliament has got off to an ogy and competition are rapidly unpromising start. By vetoing this week legislation to liberalise Euro-pean voice telephony, the parlia-ment has threatened a programme vital to industrial competitiveness and thereby diminished its own

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standing. There appear to be three main reasons for the decision: confusion among MEPs, some of whom apparently did not realise what they were voting on; concern that liberalisation would raise residential telephone charges; and a broadly shared desire to demonstrate institutional parity with the European Commission and Coun-

Only the first explanation is readily acceptable, on the grounds that many MEPs are still inexperiogy and competition are rapidly eroding the monopoly profit structure which has long subsidised residential telephone services. Thwarting liberalisation will stmply impede the European telecommunications industry's adjustment to market realities

The sorriest aspect of the affair is that the parliament seems to think it can command respect by setting its face against economic progress. Using its powers in this ate, whose interests it claims to represent, and invites charges of frivolity. With luck, the telecommunications package can be reassembled soon. On current form, repairing the damage to confidence in the parliament's legislative wisdom may take

enced. The second is understand-Aid to Rwanda

Even by Africa's grim record, the horror of Rwanda defies belief. In an exodus without precedent, up to 2m refagees have fied to neighbouring Burundi, Tanzania. Uganda and Zaire since early April, and as many again are now pouring across the frontiers. Perhaps a quarter of Rwanda's population is now outside the country. This tragedy demands an international response, with an urgency and on a scale well beyond the

current efforts.

The tide of fleeing humanity must be fed. But it neither can nor should be housed in refugee camps on foreign soil. The flow must be reversed, and the relief effort must strike a careful bal-ance between immediate needs and longer-term objectives, while not exacerbating the refugee problem itself.

As it is, there is a danger that the exodus could take on a logic of its own. As more people flee to Goma and other points across the borders, so more supplies from the outside world will arrive. As more aid arrives, so do more refugees.

Calls for large-scale military intervention need to be treated with caution. The lesson of Somalia is that soldiers are not enough. Their intervention should be accompanied by a carefully thought-out programme of political reform and economic reconstruction. In Somalia the absence of such a framework proved fatal. Rwanda, with its history of bitter ethnic conflict, will be no easier.

Yet there is a way in which additional, limited military assistance and more relief supplies can be combined, in an exercise aimed at stemming and then reversing the exodus. While the harrowing plight of the refugees in Goma requires immediate medical and food aid, the bulk of assistance should be directed to centres established within Rwanda. The additional troops, under UN supervision and reinforcing the French presence, should carry out these operations, protecting the relief centres and, where necessary, helping to distribute the supplies.

The presence of foreign soldiers should reassure the remaining local population, and encourage the refugees to return, by allaying their fear of revenge killings by the victorious Rwanda Patriotic Front. There is no evidence that this fear is justified. Rumours of reprisals seem to have been spread by broadcasts from the retreating government, determined to leave chaos in its wake. But once short-term relief has been provided, the world should

take stock of Africa's deepening crisis. Unless a co-ordinated attempt involving African and other governments, the United Nations and aid agencies is made to help Africa help itself, the con-tinent may be heading towards a catastrophe on an even greater scale. Horrific though it is, Rwanda is only one symptom of Africa's decline, as it pays the price of 30 years of disaster. man-made and natural.

Conflicts in Angola and Sudan drag on; states like Zaire are in chaos; others hitherto seen as stronger, such as Nigeria and Kenya, are under increasing political and economic strain. More than 4m children in Africa under the age of five die each year from preventable diseases.

It is more and more difficult to get Africa's crisis on to the agenda of an international community which has been discouraged by the Somali experience, and by Africa's evident marginalisation: a falling share in the world commodity market, stagnant share of trade, and tiny share (barely 1 per cent) of world investment. Before long, the more fortunate parts of the world will have to decide whether to ring-fence Africa or accept a share of responsibility for it. Rwanda should at least concentrate the mind.

urope is about to discover whether there is life after Mr Jacques Delors. In Strasbourg today, newly elected members of the European Parlia-ment will size up Mr Jacques Santer, the safe but uninspiring choice to succeed Mr Delors as president of

The vote in the parliament, though not binding, will in practice determine whether Mr Santer takes over the most powerful non-elected

Speaking to Socialist MEPs on Tuesday night, Mr Santer showed he is walking a tightrope. His remarks that his policies were no different from those of Mr Jean-Luc Debaene, the Belgian prime minister, were calculated to pre-empt parliamentary criticism of his last-minute emergence as a compromise candidate. But they provoked an uproar in the UK, which vetoed Mr Dehaene as president on the grounds that he is a centralising federalist who flirts with protec-

A more substantive point is whether Mr Santer's appointment signals a weakening of the Commis-sion, which Mr Delors turned into the driving force behind European integration, following his arrival in Brussels nearly 10 years ago. As president of the Commi

Mr Santer takes charge of a body whose morale is low and whose mis sion needs rethinking. His challenge is both political and institutional: how to preserve the Commission's role as umpire, power-broker and political catalyst, and how to stand up to an increasingly assertive European Parliament and a Council of Ministers in which majority sentiment leans towards cutting the Commission down to

Many in Brussels are mourning the imminent departure of Mr Delors, but it is easy to forget that his legacy is double-edged. Against the grand designs of the European single market, the European Economic Area and the plans for political and monetary union must be set the polarisation of public opinion, Euro-disenchantment and his own admission that he may have over-reached himself in his final years. The argument over the direction of European integration remains unresolved among member states: "The president of the Commission must reconcile the irreconcilable," says a fellow Luxembourger and former senior Commission official.

The immediate task facing the Santer Commission will be the preparation of the 1996 Inter-Governmental Conference, which will review the Maastricht treaty, possibly streamline decision making in an enlarged Union, and examine the use of national vetoes. Some fear a rerun of the Maastricht debate, with a polarisation of views and the British Conservative government held hostage by its Euro-sceptics. "The conference could be disaster," says one Maastricht negotiator. "It would be better to put it off

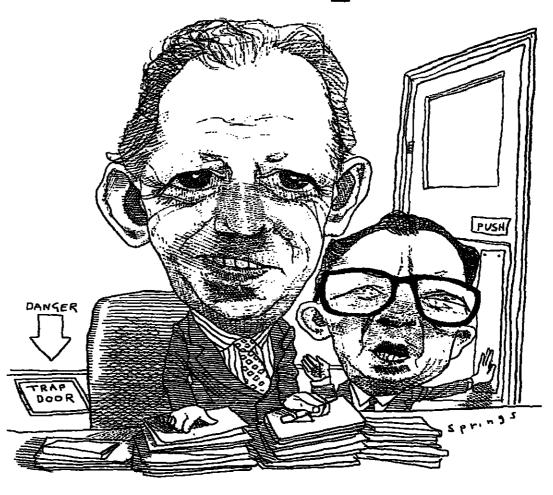
Other practical tasks for the Commission include the absorption next year of up to four new EU member states (Finland, Austria, Sweden and Norway) as well as planning for the next round of enlargement in eastern Europe, Cyprus and Malta; monitoring and eventually judging whether member states have met the strict criteria for joining a European monetary union; and preparing for the next five-year budget when the present Delors II package expires in 1999.

Sir Leon Brittan, the senior British commissioner, has argued in his recent book on the future of the EU that many of these issues are linked, and may be resolved only through a series of trade-offs, in which the Commission could play a pivotal role in identifying and brokering compromises

For instance, the degree to which the "Club Med" states of Greece, Portugal and Spain can preserve their privileged status in the next

Lionel Barber on the political and institutional challenges that Santer would face as European Commission president

Enter, looking post in Europe next January. It also offers the long-serving prime minister of Luxembourg the chance to dispel doubts about his stature and set out his own agenda for the next



EU budget negotiations may determine their support for membership of the Czech Republic, Poland and Hungary at the turn of the century. In the same vein, German enthusiasm for swapping the D-Mark for a single European currency may depend on French agreement to expansion of the EU eastwards and a political union far more ambitious than the present loose co-operation among governments over foreign and defence policy. "There must be a compromise on these matters," says a German official.

Mr Delors showed on several occasions in the past 10 years -notably in his two budget packages,

Much will depend on whether he can grow in his job, like Delors - who, as Santer pointed out, was also

his early support for German unification and, latterly, in his white paper on competitiveness, jobs and growth - that the Commission has a special role in nudging member states towards Europe's collective

second choice in '84

Yet Mr Delors' powers of persua-sion have clearly ebbed in the past two years as suspicion of the Commission has grown - not just in the UK, but also in France, where officials rail against its pretensions in foreign policy, and work to weaken its primacy in trade policy. Others in Brussels detect cases of "creeping unilateralism", as countries invoke their own national interests ahead of the common interest, most notably in Greece's imposition of a trade embargo on neighbouring Macedonia.

In seeking to maximise his

authority, Mr Santer starts off with two disadvantages: he comes from the smallest state in the union and he was nobody's first choice as Commission president. Betterknown candidates such as Prime Minister Ruud Lubbers of the Netherlands, Prime Minister Debaene of Belgium, and Prime Minister Felipe González of Spain either were blocked or declined to enter the race. Much will depend on whether he

can grow in his job, like Mr Delors, who, as Mr Santer pointed out this week, was also everybody's second choice in 1984. It will also depend on his ability to reform the Com-

it is symptomatic of the mistrust of the Commission by member states that, 35 years after the foundation of the European Union, the president still does not have the power to choose his own team. Commissioners are still regarded as national representatives and therefore national appointments. Sir Roy Denman, a former EU

ambassador in Washington, says: "Governments do not like appointing people to the Commission who are too good. They want to control things from capitals and are happy to send second-raters to Brussels. The exception is France, which is why the French effectively run the Commission."
Mr Delors has always been at

pains to dispel the notion that he was a creature of the French government. Occasionally, as in the final stage of the Gatt trade talks. he even distanced himself discreetly from Paris. But the French language and culture still permeates the Brussels bureaucracy, so much so that the Balladur government's minimum requirement was that Mr Delors' successor should be a Fran-

The Santer Commission is likely to contain hold-overs from the Delors era. Advocates of an open free-trade-oriented Commission will welcome the desire of Sir Leon Brittan to stay on in his job as chief EU trade negotiator. And despite the odd mis-step, Mr Karel Van Miert, the Belgian competition policy commissioner, remains one of the most popular and effective operators in

Less appealing for overworked Eurocrats is the prospect of another five-year term for Mr Martin Bangemann, the talented but relaxed German industry commissioner. Many will regret, however, the expected departure of Mr René Steichen, the Luxembourger who has done yeo-

The next president must give back the organisation a sense of pride. He must get rid of the abuse and restore morale'

man work on implementing the

Common Agricultural Policy reforms and laying the ground for further changes in anticipation of enlargement into eastern Europe. Finding enough work to keep Mr Santer's colleagues busy may be the toughest job for the new Commission. Thanks to the prospective enlargement of the EU next year. the number of individual commissioners should rise from 17 to 21, with one extra representative from the Scandinavian states and Austria, Moreover, each commissioner has his or her own cabinet, which leads to political appointees creat-

ing rival power-centres to the career civil servants in the bureaucracy. "The next Commission president has an awesome task," says a senior EU civil servant. "He must give back the organisation a sense of pride. He must get rid of the abuse and restore morale. It's anarchy at

One logical reform would be a triumvirate at the top, with power divided between the president and two vice-presidents, one responsible for the single market and one for external affairs. Each would have "junior" commissioners who could take over specific portfolios such as telecommunications and the envi-ronment, or Russia and eastern Europe, external trade and develop-

ment policy.
This leads into dangerous territory. When Mr Delors suggested streamlining the Commission in early 1992, he was accused of harbouring plans to rule Europe. The prospect of smaller member states losing their commissioner or having obviously second-rank appointees provoked an outcry.

Another unresolved question concerns the Commission's monopoly right to propose legislation, its willingness to use it to complete the single market, and its ability to develop as a regulator and co-ordinator now most of the legislation in the 1992 programme is complete. The desire to exercise these functions sits uneasily alongside the post-Maastricht emphasis on subsidiarity - the devolution of decisionmaking to the lowest appropriate national, regional and local level a principle to which Mr Santer has declared he is committed.

official warns that there are risks in applying subsidiarity too rigorously: "The credibility of the European Union depends on delivering the practical results of what it has decided to do. The internal market exists in theory, but it must be created in practice, and you do not do that through an act

Thus EU governments face a conundrum as they brace themselves for the next phase of the single market in areas such as tele-communications and energy. This significant adjustments, either by applying mutual recognition of national rules or by agreeing to a second burst of Euro-legislation to harmonise competing systems. which in turn will require a strong central regulator.

The lesson of the Delors era is that member states are uncomfortable with an overactive legislative programme and with the idea of the Commission as a government-in-waiting in Brussels. Countries such as the UK and France are particularly resistant to the idea of the Commission developing a separate foreign policy-making function. The high-water mark for EU legislation may from out to be the 1992 single market programme.

The temptation is to restrict the Commission's ambitions to its traditional tasks: principally conducting trade policy, monitoring the Com-mon Agricultural Policy; enforcing the Treaty of Rome in areas such as competition and state aid; and dispensing regional aid.

Yet as Mr Niels Ersboll, the outgoing secretary-general of the European Council, pointed out in a magazine International Affairs, the Commission role as an "implementing government" is under threat not only from member states, which have an interest in deciding how lightly or strictly EU law is applied, but also from the European Parliament as co-legislator.

In Strasbourg this week, MEPs blocked the Council's decision to liberalise the market in voice telephony by 1998 - the first use of such powers under the Maastricht treaty. Mr Ersboll argues that the institutional power-struggle could become even more acute in an enlarged Union.

Some member states such as the UK might relish the prospect of the Commission in retreat, but the price could be high if this means lax enforcement of existing rules or a condominium between integrationist-minded member states led by Germany. "We are not entering a trap-free zone," admits one British

Observer

Hanley gets a handful

■ Will new Tory party chairman Jeremy Hanley again display his Dennis the Menace cufflinks? The nastily naughty Dennis is one of the UK's most well-established comic characters. Hanley's links caused a stir at the Northern Ireland political talks during his stint as a junior Northern Ireland minister. Children's entertainment seems to have been a recurrent theme of those tense negotiations.

During them, Hanley was said to have been accused of introducing "Blue Peter documents". The term derives from another ageless feature of British childhood, the BBC television programme Blue Peter, whose presenters instruct children how to fashion wonderful objects from old detergent bottles and glue, using the catch-phrase "here's one I made earlier".

Hanley's accountancy training will be useful for a party with a £17m debt. But has he enough spare time? What with constituency work, Mensa membership, his cookery, chess, cricket, languages, theatre, cinema, music and golf interests, surely something has to give.

Hourglass figure So much for Sweden's famed sexual libertarianism. Björn Rosengren has been forced to out as head of the country's white-collar union, the Confederation of Professional Workers, following revelations that he visited a topless

club - three years ago. Rosengren dropped in at the Tabu club along with an American guest, but says he left - after less than an hour - when he realised what sort of establishment it was. Some hour. His bill was for

SKr55.000, or \$7.200, which even by Scandinavia's expensive standards is pushing the boat out. His lawyer managed to reduce the outlay to below SKr10,000. What sank Rosengren was the outcry from his membership, 50 per cent of whom are women. Some taboos die hard.

Dog-eared

■ Tough luck on DPR Publishing which today brings out the 1994 edition of the Whitehall Companion, an invaluable "Who's Who" for government departments and quangos; it's already out of date. Yesterday's UK government reshuffle means moves not just for ministers but also their advisers. Life will certainly change for Eleanor Laing, adviser to John MacGregor, outgoing transport secretary. The Companion discloses that she has advised MacGregor on a diverse range of subjects; she was his aide when he was at education and stayed by him when he was Leader of the Commons, ending up in transport.

'I told him seat belts wouldn't do him any good'

as minister of state at the Home

Peter Brooke enjoyed the services of two advisers at the Department of National Heritage. Dominic Loehnis came from the Sunday Telegraph, but could always turn a hand to his first calling, as a lyricist, Bryan Jefferson may survive the change of ministers. since he brings professional skills to his role as architectural adviser.

or the national heritage? Get your CVs in fast.

Asian high noon chequered past. Tonight, at London's Grosvenor Hotel, the 1994 plaudit is likely to

Cliff Grantham, special adviser to departing education secretary John Patten, may also be casting around. A former BBC radio news reporter and lobbyist, he also advised Patten

Anyone out there with special knowledge of transport, education

■ With one previous winner in jail and another having resigned from a senior sporting post amid allegations of cheating, the Asian of the Year award has something of a

go to Ghulam Kanderboy Noon, owner of Noon Products, which has successfully cornered a niche in Indian frozen foods, numbering Sainsbury among its customers. The gong is presented by the UK publication, Asian Who's Who International, to high-achievers in the diaspora. Previous winners have been

Nazmu Virani - now spending 30 months inside one of Her Majesty's less salubrious hostelries for his role in the Bank of Credit and Commerce International fraud and Imran Khan, former Pakistan test cricket captain.

Khan recently resigned from the International Cricket Council, after admitting once using a bottle-top to tamper with a cricket ball.

Perhaps the organisers are feeling the need to polish up the award's image. That could explain the presence of some big noises. including Michael Heseltine, UK trade and industry secretary, as chief guest. He's joined by Labour's Margaret Beckett and Liberal

Democrat leader Paddy Ashdown. Associates of Noon describe him as "squeaky clean"; so maybe the choice is right for a change.

Unreal hopes

■ Why are politicians unable to resist piggy-backing on the success of national sporting heroes? **Argentine president Carlos** Menem's designation of Diego Maradona as a "roving ambassador after the 1990 Rome football World Cup now looks risible.

Brazil's government is now doing its damnedest to repeat the error, by connecting the Brazilian team's success in the US World Cup to hopes that the country's new Real currency will also struggle through to eventual victory. Don't bank on it.

For the thousands of Brasilia residents who cheered their returning soccer stars at the capital's airport late on Tuesday immediately started booing when three government ministers stepped on to the runway. Looks like a penalty for someone.

Tune in, drop out

Reference writers seeking a safely ambiguous turn of phrase could do worse than consult the Edinburgh Festival Theatre's list of coming attractions: "This orchestra fascinates by its unbelievable possibilities of interpretation."



FINANCIAL TIMES

Thursday July 21 1994



Major's biggest reshuffle gives right a stronger cabinet voice

By Philip Stephens, Political Editor, in London

Four British cabinet ministers lost their jobs yesterday in Mr John Major's biggest reshuffle since he became prime minister in 1990.

The shake-up came on the eve of the certain choice by the opposition Labour party of Mr Tony Blair as its new leader, to replace Mr John Smith, who died in May. Mr Blair, whose election will foreshadow a drive to shift Labour further into the political centre ground, is expected to be joined by Mr John Prescott as deputy leader.

Mr Major's reshuffle was intended to put in place most of the Conservative team which will fight the general election due by mid-1997. But it left scope for further changes before then. Mr Douglas Hurd, who remained as foreign secretary, is widely expected to step down within the next two years.

Overall, the changes pointed to with Mr Michael Portillo, the

Surprise chairman for party as four ministers lose jobs

moted from the Treasury to the election strategy. He replaces Sir post of employment secretary and Mr Jonathan Aitken, another right-winger, entering the cabinet

Some Conservative MPs were suggesting that this combination - alongside Mr Peter Lilley at

widely regarded as on the centreleft of the party and as a protege of Mr Chris Patten, the former party chairman and present govsocial security - could herald the ernor of Hong Kong, surprised

Calculation over glitz Page 8 ● Brooke's legacy Page 11 Editorial Comment and Observer

start of another sharp squeeze on and irritated Tory Eurosceptics. spending on the welfare state. The number of right-wingers in the cabinet - dubbed the "bastards" by Mr Major - has now risen from four to five.

The biggest surprise of the reshuffle, however, was the appointment of Mr Jeremy Hanley, formerly the armed forces minister, as Conservative party chairman, where he will play a pivotal role in planning general

Mr Hanley, a pro-European and a liberal on social issues, will sit in the cabinet as minister without portfolio. He will be joined at Conservative Central Office by a new team of deputies led by Mr John Maples, a former Treasury minister and now a senior executive at Saatchi and Saatchi, the

Norman Fowler, who submitted

his resignation earlier this year.

The elevation of Mr Hanley,

Among the other main promotions, the left-leaning Mr Stephen Dorrell entered the cabinet as heritage secretary and Mr Brian Mawhinney as transport secretary. Viscount Cranbourne also joined the cabinet as leader of the House of Lords.

The principal casualty was Mr John Patten who was sacked as education secretary. In a terse letter to Mr Major, Mr Patten did little to disguise his anger at the decision. Mr Peter Brooke resigned from the heritage department while Mr John Mac-Gregor, transport secretary, and Lord Wakeham, leader of the House of Lords, had expected to

be asked to leave the cabinet. Mrs Gillian Shephard was moved from agriculture to education. She is a close political ally of Mr Major and will be expected to improve relations between the government and teachers before the next general election.

Mr David Hunt, the former employment secretary, replaced Mr William Waldegrave as public services minister. But Mr Hunt was given also the chairmanship of a number of key cabinet committees previously run by Lord Wakeham.

UK MPs issue rebuke over Pergau dam

By James Blitz in London

Lord Younger, the former UK defence secretary, was condemned yesterday by a prominent committee of members of parliament for "reprehensible" and "wholly inappropriate" conduct when making an offer of aid for Malaysia's Pergau dam in the late 1980s.

In one of the toughest official criticisms of government policy in recent times, the all-party House of Commons foreign affairs committee accused ministers of a "serious failure" in the co-ordination of policy over the

Pergau dam in the late 1980s. The report on Britain's offer of £234m (\$362m) of aid for Pergau, which has taken six months to complete, did not entirely spare Lady Thatcher, the former prime

evidence to the committee. It says ministerial replies several of which were made by the former premier herself were "literally true, though less open and less informative than the House has a right to expect".

In one instance, a written parliamentary answer from Lady Thatcher's office was judged as not fully answering the questions" raised by MPs on funding for the dam.

There was strong criticism, too, of the tactics used by a consortium of companies - including Balfour Beatty and General Electric Company - when they tried to win a contract for the dam in March 1989.

The report says the consortium put pressure on Lady Thatcher to make a firm offer to the Malaysians to build the dam "on the minister, who refused to give basis of information which was

incomplete". Within days, the tions on the protocol which were government found the consortium's costs had jumped, requiring substantial additional expenditure for the Overseas Development Administration's

At the heart of the committee's inquiry was the issue of whether the British government had offered aid on condition that Malaysia bought £1.5bn of British efence equipment. Such a link would be contrary

to British government guidelines. The committee agreed that a protocol signed by Lord Younger linking the two deals "was the only instance of which we are aware where the policy proscribing conditional linkage . . . has been breached".

The MPs judged it "reprehensible" that the Ministry of Defence had conducted negotia-

within the remit of the Foreign Office without informing Lord Howe, then foreign secretary. It was "very regrettable" that

Lord Younger did not feel it appropriate to consult, even to inform, London before concluding the agreement with Malay-sia". According to the MPs, Lady Thatcher and Lord Howe successfully disentangled the link between aid and the arms deal after Lord Younger's return.

The committee did agree however that a mathematical formula linking the size of the two deals was an enduring feature of all the contracts signed between the two governments between 1988 and 1991. Mr Peter Shore, the Labour MP who chairs the committee, confined himself to saying that the formulahad played a "shadowing role" in the affair.

THE LEX COLUMN

Growth without pain

There is a well-earned hint of self-congratulation in the minutes of the UK chancellor's June meeting with the governor of the Bank of England. Both said that the economic situation was "favourable" with steady growth and low inflation. That is doubtless a fair assessment of the present but it says little about the future. The task now is to maintain this benign environment: the risk, underlined by yesterday's crop of economic indicators, is that the economy

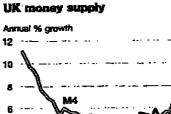
may be set to grow too quickly. Retail sales grew 1 per cent by volume in the last quarter despite April's tax increases. Building society lending is picking up, which must offset some recent worry about the housing mar-ket. In the background is the nascent economic recovery in Europe which should boost exports, especially at sterling's current low exchange rate. The economy's ability to withstand tax increases may also encourage hitherto reluctant companies to invest. So the governor's threat to raise interest rates if the pace of activity picks up

could well be put to the test. The question for the markets will be whether this can occur without the turmoil that followed the Federal Reserve's tightening in February. At least both gilts and equities have fallen back since then. Equities would have the consolation that the economic strength which prompted monetary tightening should also do wonders for corporate earnings. Gilts might prefer the first, pre-emptive tightening to be larger than the quar-ter point measured out by the Fed. The trouble is that the glare of publicity which now surrounds monetary policy is more conducive to compromise than bold gestures.

British Airways

BA's passenger figures have recently shown some encouraging gains but two dark clouds are drifting across its flightpath. USAir's secondquarter profits increase disguises its dreadful plight. The fall in fuel costs which flattered its latest figures will be rapidly reversed this quarter while staff costs are still rising at an alarming rate. USAir accepts it needs a "permanent and substantial" reduction in operating costs. The strength of union representation will make conventional cost-cutting hard to achieve. United Airlines' blueprint for swapping labour concessions for employee ownership may therefore appeal. But such a scheme would cause big problems

FT-SE Index: 3077.2 (-14.1)



for BA. Either BA's 24.6 per cent shareholding would be heavily diluted or it would need to inject substantial funds to retain it at that level. BA may also worry that a rise in employee representation would lessen its own influence over the future of USAir.

BA's other bugbear of the moment is that the European Commission seems set to wave through the state bale-out of Air France with minimal condi-tions. That would be little short of scandalous given the EC's supposed commitment to free markets. Air France would receive FFr20bn of financial aid, which is equivalent to about 60 per cent of BA's market value. State subsidies on that scale promise to do for the European aviation industry what Chapter 11 achieved in the US. Too much capacity will be kept in the air, distorting competition and destroying profitability.

David S. Smith

Making paper should be a relatively predictable business since demand is so closely linked to the economic cycle. But the competitive environment can change extraordinarily quickly as David S. Smith's annual results make clear. Last year, paper makers were obsessed with price battles with their customers. This year, they have watched with a mixture of excitement and alarm as pulp prices have shot skywards. The scale of the rise has made it easier to pass on the pain to the end users. But, as Inveresk warned earlier this month, that has not been universally possible.

Smith has done well to avoid the margin squeeze on most paper grades.

The Kemsley mill is complete and can

take full advantage of the market strength. Recent acquisitions are already proving their worth. Not only is Smith benefiting from the pick-up in demand across Europe; it can also gain from the greater market penetration for its recycled products.

Yet the 1 per cent rise in Smith's shares yesterday seems excessive after the company's 33 per cent outperform ance against the market over the pas year. Smith's tax charge will double from last year's 11 per cent, pegging earnings growth. Besides, there is no guarantee that the benign trading cli-mate for recycled paper will continue The absurd German recycling scheme, which has distorted European recycled paper prices for years, has finally been adjusted. But insanity could easily break out once again.

Futures trading

The battle lines in global futures trading are being drawn. In one camp are the Chicago Board of Trade and London's Liffe. Yesterday they agreed to explore linking their electronic out of-hours trading systems. In the other camp is Globex - an alliance embrac ing the Chicago Mercantile Exchange. Germany's DTB and France's Matif as well as Reuters, the financial information group. The two groups have rather different visions. CBOT and Liffe, reflecting their positions as the largest exchanges in their respective time zones, understandably do not wish to lose control of their futures contracts to rival exchanges. As a result, they favour loose bilateral alliances. Both are also committed to the system of open outcry. So electronic trading is envisaged mainly as a way of extending their services outside normal opening hours.

Globex is a tighter alliance, requiring a greater degree of commitment from its members. That is one of the reasons CBOT left it earlier in the year and Liffe refused to join. Electronic trading also plays a more central role, with Globex ultimately envis aged as a round-the-clock system.

In the medium term, both approaches can coexist. The only contract over which there is serious com petition is the bund future. Moreover, Globex's slow start shows that global futures trading will not develop quickly. But a fully screen based trading system looks like the more cost-effective option in the long run. If so, open outcry could find itself consigned to history in the way face-to-face share trading was in the 1980s.

Labour MEPs to resist Santer candidacy

The powerful British Labour party group in the European Parliament last night declared that it opposed Mr Jacques Santer as the next president of the European Commission.

The Labour stand, backed by Belgian and French socialists. fuelled the atmosphere of uncertainty ahead of today's vote to endorse Mr Santer's candidacy. The mood was beightened by MEPs' new assertiveness at their inaugural parliamentary session.

The vote for Mr Santer is part of a broad power struggle between the parliament and other EU institutions, which is expected to come to a head in

1996 when the Union reviews the Maastricht Treaty. The treaty gives MEPs the right to approve or reject the Commission and to

first time on Tuesday when it voted down the Council's decision to liberalise voice telecommunications in Europe by 1998.

long-serving Luxembourg prime minister, seemed confident that he would achieve the simple majority required today, but his last-minute emergence as a compromise candidate to succeed Mr Jacques Delors irritated MEPs clamouring for closer consultation with EU governments.

Supporters of Mr Santer, the

throw out certain EU laws.
MEPs used this power for the

Ms Christine Crawley, deputy

FT WEATHER GUIDE

leader of the Labour group, said MEPs had been presented with a fail accompli. "We are voting against Mr Santer because of the lack of consultation."

Ms Crawley acknowledged that the Labour group's opposition could change if the Euro-parliamentary socialist group decided to endorse him today. Labour has 62 of 198 votes in the group.

Mr Klaus Hänsch, the new president of the European Parliament, made clear in his maiden speech that MEPs held the power derail the Santer candidacy. He told MEPs: "Legally speaking this is only a consultation, but politically speaking any candidate that does not receive majority support from this parliament

power and influence we have. Mr Santer, a 57-year-old Christian Democrat and one-time MEP, has been lobbying heavily for support from members of the Strasbourg assembly, appearing before the parliament's two biggest groups on Tuesday to out-line his views on Europe.

He spelt out his commitment to an integrated Europe and said he intended to lead a strong Commission, pursuing social and environmental policies and a single currency. He also strongly supported the principle of "sub-sidiarity" and spoke out against concentrating power in Brussels.

Sizing up Mr Santer, Page 13

Europe today

High pressure systems will maintain nal conditions from Scandinavia to Spain. Temperatures will be somewhat higher than yesterday in France and the Benelux, Heavy rain and thunder showers will cross the northern Balkans. Hungary and the former Yugoslavia will have a lot of rain with a risk of flooding. Low pressure north of Moscow will produce cloud and rain over Russia with scattered thunder storms near the Black Sea. The south-ea Mediterranean will remain dry and warm. Western areas of Great Britain will stay cloudy and unsettled but England will be

warm and sunny. Five-day forecast

Tropical temperatures will spread northwards to Belgium tomorrow before thunder showers produce temporary cooling during the weekend. Much of Europe will stay dry and warm although Scandinavia will become very unsettled. The western Mediterranean will have a heat wave and eastern regions will be warm and sunny. Thunder storms should develop over parts of Greece and Turkey,

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TODAY'S TEMPERATURES

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Latest technology in flying: the A340 Lufthansa

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May 1994 COMPTOIR DES ENTREPRENEURS FF 10,252,000,000 Sale of Real Estate Assets The undersigned acted as advisors to Comptoir des Entrepreneurs. Bankers Trust International PLC ATLAS CAPITAL LIMITED FF 4,500,000,000 6.375% Bonds AAA/Aaa due December 1998 (Unconditionally and irrevocably guaranteed by MBIA Corp.) FF 4,502,000,000 FRN AAA/Aaa due December 1998 (Unconditionally and irrevocably guaranteed by MBIA Curp.) FF 1,250,000,000 Privately Placed Junior Notes due December 1998 The undersigned acted as arranger and underwriter to Atlas Capital Limited. Bankers Trust International PLC





FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1994

Thursday July 21 1994



IN BRIEF

BankAmerica advances 8%

After-tax profits at BankAmerica advanced 8 per cent in the three months to the end of June, as the San Francisco-based bank continued to reflect the Californian economy's slow emergence from reces-

AGF may seli bank stake

Assurances Générales de France (AGF), the French insurance company to be privatised in the autumn, is considering selling its 43 per cent stake in Banque Française du Commerce Extérieur (BFCE). the specialist banking group. Page 16

Alcan of Canada sells Australian stake Alcan Aluminium of Canada has sold its 78.3 per cent holding in Alcan Australia via an internation secondary offering worth US\$245m. Meanwhile, Alcan Australia announced a return to the black despite big production cuts. Page 17

Ring of steel in South Korea
Pohang Iron and Steel, South Korea's dominant steel company, plans to expand its production capacity in an attempt to block the Hyundai group from entering the steel sector. Page 17

Positive quarter for US drugs groups US drugs groups reported positive second quarter figures on top of double digit gains in sales of prescription drugs in the US. Only Pfizer warned that this year's profits would fail to match estimates.

MCI rises 43%

MCI Communications, the second largest US long distance telecommunications company, reported a 43 per cent rise in second quarter net income, helped by growth in the consumer, business and global markets. Page 18

Futures exchanges look at link-up The Chicago Board of Trade and the London International Financial Futures & Options Exchange, the largest and third largest futures exchanges, plan to explore the feasibility of linking their afterhours electronic trading systems. Page 20

David S Smith pleases market Shares in David S. Smith Holdings jumped 22p to 550p after the UK paper, packaging and office sup-plies group reported better-than-expected results. Page 21; Lex, Page 14

A brush-up for bookies All the main chains of British betting shops are planning to refurbish their shopfronts following the government's decision to ease restrictions. Page 21

Flat performance from Eve

Eve Group, the USM-quoted civil engineering group, blamed sluggish trading conditions in the construction industry for a flat performance in the year to March 31. Page 22

Monsanto seeks to allay fears Monsanto, which makes the milk-boosting dairy hormone BST, yesterday sought to counter fears about its use, saying it had not affected milk consumption and was reaping dividends for farmers. Page 26

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Compaq soars and gains share from PC rivals

Compaq Computer yesterday reported a 53 per cent jump in sales for the second quarter as the US personal computer manufacturer continued to win market share from competitors.

The company shipped a record

number of computers in the quarter to reach revenues of \$2.5bn up from \$1.63bn in the same period of 1993. During the quarter it also introduced a record number of products, from high-performance notebook computers to servers for computer networks. Net income more than doubled to \$210m, or 78 cents per share,

from \$102m or 40 cents per share. Compaq's results came one day ahead of IBM's. The industry leader is today expected to unveil strong earnings for the quarter, in contrast to the heavy losses tained in the same period of 1993, when it took an \$8.9bn restructuring charge

Analysts estimate that IBM's

quarterly PC revenues grew by about 10 per cent, suggesting it is losing ground to Compaq, which aims to overtake Apple Computer and IBM to become the largest seller of PCs by 1996. Compaq's figures were in line with Wall Street projections but the company's stellar perfor-

mance over the past year has heightened expectations and its stock was trading at \$32 in midsession yesterday, down from Tuesday's close of \$33%.

"The growing worldwide acceptance of the Compaq brand has

helped propel the company to another record sales quarter," said Mr Eckhard Pfeiffer, president and chief executive.

Calming investor concerns that

PC market growth may be on the wane, Compaq said it anticipated growing demand in the second half of the year. The company is building new production lines to expand its operations worldwide. Inventories stood at \$2.24bn at the end of the second quarter, up from \$1.12bn at the end of 1993.
Mr Daryl White, chief financial
officer, said this was in anticipation of strong demand, particu-

larly in the fourth quarter. "Our inventory level, in terms of weeks of inventory, has not increased from the second quarter of last year," he

Compaq also announced partnerships aimed at new market segments. Compaq and Picture-Tel, a video conferencing equipment company, have formed an alliance for the design and manu-facturer of PC-based "personal conferencing" products. Microsoft, the leading PC software company, has teamed up with Compaq to develop video servers for interactive television applications. Compaq has also announced a joint venture with Oracle to develop database software for Compan servers.

For the half year Compaq reported revenues of \$4.8bn, up from \$3.2bn in the first half of 1993. Net income more than doubled to \$423m, against \$204m, while earnings per share rose to

USAir faces big losses despite positive quarter

in New York

in which British Airways holds a 24.6 per cent stake, yesterday reported a small increase in net profits, to \$13.8m from \$5.8m, in its second quarter. However, it still looks set to end the year with heavy losses.

The company operates mainly in the north-east of the US, where it faces tough competition from Continental Airlines, Southwest Airlines and other low-cost carriers. Earlier this year, it had to slash fares to win

Yesterday USAir said its lowfare strategy had been vindi-cated. The increase in passenger numbers had more than outweighed the effect of lower fares. Total revenues rose by 3.5 per cent, to \$1.72bn from \$1.69bn.

The airline also said its attempts to increase productivity had succeeded in cutting operat ing costs per available seat mile from 11.12 cents to 10.87 cents. However, the second quarter is traditionally USAir's best because of seasonal factors, and it acknowledged that its cost levels were still too high to enable it to show a profit for the year.

lost \$196.7m and warned that its full-year losses would be even

British Airways has invested nearly \$400m in USAir, and was due to invest another \$450m between now and 1988. However, in March it announced it would not commit any more funds to the US airline until it improved its financial performance.

it would seek to take \$1bn a year out of operating costs by 1996 through efficiency improvements and cuts in labour costs. However, it has yet to reach an agreement with its unions.

USAir has indicated it has enough cash to take it into next year. However, it is six years since the airline made a profit, and it is widely regarded by industry analysts as one of the two large US airlines least likely to survive another wave of bankraptcies. The other is Trans World Airlines.

After preferred dividends, losses per share were 0.9 cents compared with 23 cents last time. For the first six months, net losses rose from \$55.2m to \$182.8m, excluding the effect of accounting changes.

Retail jump for **Sears Roebuck**

By Richard Tomkins in New York

A strong increase in profits from its revamped stores helped Sears Roebuck, the US retailing and insurance group, to lift underlying net profits by nearly 10 per cent to \$503.4m in the second

quarter.
Operating profits in the stores division shot up 23 per cent from \$162.5m to \$199.3m, driven by an 11 per cent increase in sales to \$7.6bn. Under the leadership of Mr Arthur Martinez, chief executive since 1992, Sears Roebuck is well into a store remodelling pro-

The company said cost-cutting measures initiated over the past year had also helped retailing results. Selling and administra-tive expenses as a percentage of revenues fell from 26.8 per cent to 26.6 per cent. But the effect was offset by the costs of an extensive advertising campaign, so the gross margin was

The international stores, com-

business - reported separately yesterday - showed net income after minority interests falling from \$371.8m to \$322.1m, largely because of higher catastrophe Revenues for the group as a

The net income of \$503.4m appeared to represent a decline from the \$1.09bn reported last time, but the year-ago figure included a \$635.1m gain from the sale of a minority interest in

For the first six months, net income on continuing operations fell from \$775.5m to \$405.5m, mainly because of heavy catastrophe losses in the first quarter. Alistate results, Page 18

Conner Middelmann on governments struggling to finance their debt

he recent bond market recovery has provided L European governments with a much needed opportunity to step up funding programmes that had become bogged down in market turmoli and adverse yield

Some governments - notably Germany - had cancelled auctions and fallen behind with their funding programmes. Others had shifted funding to the less vola-tile shorter maturities.

However, the improvement in sentiment eased the way this week for the German government's first auction of 10-year bonds since September, raising DM10bn (\$6bn). Next week the UK will auction its first long-dated conventional bond in six months. Since January, it has auctioned £10.5bn (\$16bn) of 'exotic" instruments, such as convertible and floating-rate gilts and shorter-dated bonds.

Altogether, the next four weeks are likely to see around \$100bn of new supply from the US, Japan, Germany, France, the UK and Italy, as well as substantial issu ance in Spain and Sweden. Indeed, the heavy supply may limit the scope of the bond market recovery, especially as some countries are lagging in their funding schedules.

Even before yesterday's wobble, the sustainability of the recovery was being questioned. Some analysts were dismissing it as little more than a technical bounce and remained concerned about investor demand. "Is this a genuine rally or just a correction in the bear market?" asked Mr Kirit Shah, international bond strategist at First Chicago in London. "I think it is the latter."

The recent rally began with investors switching into German bonds out of US assets. Then US bonds and the dollar staged a cautious recovery, calming world markets. Moreover, encouraging German money supply data revived hopes that the Bundesbank would cut interest rates

Some bond dealers have also reported a cautious return by traditional bond investors, who had abstained during the sell-off but were tempted by the sharp rise in yields to buy again from the start of the third quarter.

Others, however, attribute the recent gains mainly to futures buying by players seeking short-term capital gains, and warn that more retail buying is needed to underpin the recovery. "At the moment, most of the buyincreased buying by hedge funds," said Mr Shah.

"To cite an old truism: supply is never a problem when there's adequate demand," said Mr Jan Loeys, European fixed-income strategist at J.P. Morgan.

Governments will want to ensure that this year's supply goes into firm hands after last

Merck boosts

asthma stake

with UK deal

The biggest corporate deal yet to

be signed by a UK biotechnology

company is set to be announced

today between Celitech and Merck, the biggest US drugs man-

The two will collaborate on an asthma drug invented by Celltech. Codenamed CDP840, it

has been successful in early clini-

cal trials. Merck will largely pay

for the much more expensive later rounds of clinical trials.

The deal will bring Merck and UK-based Celltech into direct competition with Europe's big-

By Daniel Green in London

Indeed the worries which

A breather for the funding laggards

Government borrowing programmes



Carried Contract Cont	4		A CONTRACTOR OF THE PERSON NAMED IN	_		
Current financial year	Estimated net borrowing, own currency	USS bn	Grees term borrowing requirement	US\$	implied monthly pece of insurance, US\$ rest of financial year bin	implied monthly issuance as % of GDP
US (\$bn)	185	185	475	475	41 41	7.2
Japan (F000bn)	13.6	137	27.5	278	2.4 24	6.1
Italy (L'000bn)	152	97	235.7	151	16.5 11	12.0
France (FFrbn)	286	53	500	94	34.2 6	5.6
UK (Ebn)	20.7	32	29.2	46	2.4 4	4.3
Germany (OMbn)	38,0	24	126.8	81	16.5 11	6.8
Spain (Pta'000bn)	2.4	19	6.8	53	0.78 6	14.5
Sweden (Sikron)	95	12	106	14	8.8 1	7.1
Belgium (BFrbn)	236	7	1013	32	19.8 1	3.4
Denmerk (OKrbn)	44	7	102.2	17	6.5 1	8.4
Source: J.P. Morgen						

year's borrowing bonanza turned sour. "They issued like mad last year, but half the investors absorbing that supply weren't permanent investors - they were in it for the short term," said Mr Loeys. Early this year, many of them took their profits.

Reliance on foreign capital made some markets particularly vulnerable to the bears. About 48 per cent of Sweden's 1993 net borrowing was financed by overseas buying of government bonds or foreign currency borrowing, and heavy foreign sales this year have taken their toll.

As a result, some governments have started targeting domestic investors to ensure more secure homes for their debt. France plans to launch a programme this autumn to encourage private investment in government bonds And the Spanish Treasury earlier this week said it would sell threeyear fixed and floating-rate paper to domestic insurance companies hanke on Atterts

But although supply is not causing serious difficulties now. it may well do so later in the year, warns Mr George Magnus, chief international economist at SC Warburg Securities.

plagued investors earlier this year could easily return. For one, economic growth - while helping

to slim government budget deficits through higher tax revenues will fuel fears of inflation and higher interest rates. Even if the Bundesbank continues to cut interest rates, traders will be increasingly worried that each cut will be the last. Further threats to European bonds could come from the US, where interest

rate increases are feared. Political risks abound, too. Jitters could surface, for instance, ahead of Sweden's elections in September and its referendum over EU membership in November, and ahead of the French presidential elections in early 1995. In Italy, Spain and Belgium, with their fragile coalition governments, the threat of govern-

investors' minds.

snapshot of European governments' remaining L bond issuance for the year, scaled to gross domestic sures remain the largest in Italy and Spain, according to Mr Loeys. While Italy is fairly up-to-date with this year's schedule, it has so far failed to fund any of next year's massive

redemptions as originally

ment crisis is never far from

Meanwhile, Spain issued few long-dated bonds during the first half of the year, relying heavily on short-term funding. Some 60 per cent of its borrowing so far this year has been channelled through treasury bills which will have to be refinanced within the next 12 months, implying more supply later this year and espe-cially in 1995.

Supply pressures are relatively low at present in Belgium, which is slightly ahead in its issuance calendar. However, it, too, has been borrowing heavily at the short end of the yield curve implying heavy refinancing volumes not far down the road.

Countries borrowing at the short end make themselves vulnerable to rising short-term rates, which increase the cost of servicing their debt.

The UK is doing fairly well after last year's substantial pre-funding, and has few redemptions to refinance. The French authorities have stuck doggedly to their monthly funding schedturbulence - though as a result French bonds substantially underperformed their German counterparts.

But after yesterday's bout of profit taking, the big question remains: will investors absorb the waves of supply to come later this year?

Capital markets, Page 20

This announcement appears as a matter of record only. July 1994.



has sold

SAS Leisure Group

Airtours plc

for

SEK 870,000,000

Alfred Berg has acted as SAS' sole financial adviser.

AMA Eve Group

unchanged at 28.9 per cent. - 13 105 - 5 1364 - 5% prising Sears Mexico and Canada, cut their losses from \$5.2m to

\$800,000.

Gains on the retailing side were partly offset by a decline in the contribution from Allstate, the insurance company of which Sears Roebuck owns 80.1 per cent. Results for this side of the

whole rose 7 per cent to \$13.01bn.

On a like-for-like basis, earnings per share on continuing operations rose from \$1.19 to

gest drug company Glaxo, which has a deal with Icos, the Seattle-based biotechnology company, to develop a similar drug. It reinforces Merck's challenge in asthma, a growing business worth at least \$4bn a year. Glaxo dominates the sector with two drugs, Ventolin and Becotide. Rival big-selling prod-ucts are made by Sweden's Astra,

Ingelheim of Germany. Merck has already signalled its intention to fight its way into the asthma sector and has a drug of its own in the later stages of clinical trials called MK-476. It would be launched a year or two before the Celltech product and both could be on the market by the end of the decade.

the UK's Fisons and Boehringer

For Celltech, the deal represents a vote of confidence in its product pipeline as much as cash. The drug belongs to a class, phosphodiesterase IV inhibitors, which holds out the promise of a once-a-day tablet to replace steroid inhalers.

Other companies are working on similar drugs, including loos/ Glazo. Celitech claims its drug is either further down the development route than rivals or performs better in clinical trials. US drugs groups, Page 18

off form of the second section .

Bank America advances 8% in second quarter

in New York

After-tax profits at BankAmerica advanced 8 per cent in the three months to the end of June, as the fortunes of the San Francisco-based bank continued to reflect the Californian economy's slow emergence from recession.

Net interest income fell by \$20m to \$1.83bn, as an increase in loans failed to offset a fall in the bank's net interest margin to 4.49 per cent from 4.72 per cent. However, provision for credit losses during the period, at \$125m, was \$102m lower

Non-interest income, meanwhile, dropped by \$40m to \$1.02m. In line with other banks and securities houses which have reported results in recent days, BankAmerica's trading income was affected by the turbulent financial markets. It fell to \$106m in the latest period from \$172m a year ago. On Tuesday, Merrill Lynch, the US's biggest securities house, reported net earnings of \$252m, 27 per cent below the \$345m of a year

BankAmerica's fees from a number of products - including deposit accounts credit cards and trust work - also fell particularly from retail customers, have been one of the main methods by which US banks have increased their non-interest revenues in recent years. BankAmerica's income, however, was bolstered by a \$65m increase in other sources of non-interest income, mainly the disposal of assets it had

previously earmarked for sale. Net income for the three months was \$525m, or \$1.32 per fully-diluted share, up from \$488m, or \$1.19, the year before. For the first half as a whole, net income rose to \$1.04bn, or \$2.58 a share, from \$972m, or

AGF may sell bank stake

By Alice Rawsthorn in Paris

Assurances Générales de France (AGF), the insurance company scheduled for privatisation in the autumn, yesterday confirmed it was considering the sale of its 43 per cent stake in Banque Française du Commerce Extérieur (BFCE). the specialist banking group.

AGF also verified that it was in talks with Crédit Lyonnais. the troubled French banking group that owns 24 per cent of BFCE, over the proposed disposal. However, AGF and Crédit Lyonnais declined to comment on speculation that they were considering selling their holdings together as a

controlling stake. The disposal of their combined holdings, a majority

estimated value of FFr2.8bn (\$534m), would in theory raise more money than the separate sales of the individual stakes, given that a potential purchaser could be expected to pay a premium for control of

AGF and Crédit Lyonnais are making disposals. AGF, which has denied speculation about substantial losses on the bond market, is trying to raise capital after last year's making of heavy provisions on its property portfolio and its exposure to ailing concerns such as Comptoir des Entrepreneurs, the troubled financial group.

Mr Antoine Jeancourt-Galignani, AGF chairman, is reviewing the future of all the insurer's non-strategic interests. AGF yesterday confirmed that stake of 67 per cent with an the BFCE stake was "not con-

sidered to be a strategic investment" and might therefore be

Crédit Lyonnais is under even greater financial pressure. Mr Jean Peyrelevade, its chairman, this spring secured the government's support for a FFr44.9bn rescue package after disclosing a net loss of FFr6.9bn for 1993.

However, he recently confirmed that his group would require yet another capital injection following the discov-ery of more financial problems. on raising capital from dispos-

Crédit Lyonnais last week agreed terms to sell its controlling stake in Fnac, the music retailing group, to Mr François Pinault, the entrepreneur, for

German bank takes over Swiss firm

By Christopher Parkes in Frankfurt

Baverische Vereinsbank is to take complete control of Bank von Ernst, an old Swiss firm specialising in private busi-

It will take over the 50 per cent it does not own from the Creditanstalt-Verein in Vienna. subject to approval by the relevant authorities, the bank said yesterday. Bank von Ernst, with a bal-

ance sheet total of SFr1.7bn (\$1.2bn), has branches in Bern, Zurich, Geneva and London, and employs 250 people. It has representative bureaux in Frankfurt, Tokyo,

Miami and Caracas. Bayerische Vereinsbank said it intended to strengthen Bank von Ernst's business with institutional clients, especially in asset management and capital markets business.

Detailed terms were not disclosed, although the Viennese

partner in the deal is to take over Bayerische Vereinsbank's minority holdings in two Austrian banks.

Since Bayerische Vereinsbank's 1992 purchase of the Schoellerbank had given it full coverage of the Austrian market, its 4.7 per cent in the Bank für Oberösterreich und Salzburg, and a similar stake in the Bank für Tirol and Vorarlberg were no longer of any strategic importance, Bayerische Vereinsbank said.

Portuguese bank turns in 13% fall at halfway

By Peter Wise in Lisbon

Banco Português do Atlântico. Portugal's second largest bank, has reported a 13.3 per cent fall in pre-tax profits to Es9.26bu (\$58m) for the first half of 1994.

BPA said the slide was due mainly to a 31.7 per cent increase in provisions against credit and other risks to Es11.74bn as a result of recession in 1993.

Earnings were also affected by investments in overseas subsidiaries and in União de Bancos Portugueses, a small retail bank in which BPA acquired a controlling stake in 1993, BPA said.

Cash flow in the first half rose 10.6 per cent, compared with the same period last year, to Es24.37bn. Total deposits increased 7 per cent to Es1,364.76bu. The group's loan portfolio grew 1.6 per cent to Es811.46bn. Net assets rose 16.4 per cent to Es2,538br

BPA has set aside Es326m for tax payments on first-half earnings. No tax provisions were made during the first half of 1993.

The state is due to sell its remaining 24.39 per cent holding in BPA but no date has been set. A group of Portuguese businessmen has acquired a controlling stake of about 27 per cent since privatisation of the bank began in stages in 1990.

BPA increased its capital from Es100bn to Es110bn in a rights issue that closed on

UK brewer gets Richard North

Bass, the UK's biggest brewer, has appointed as its finance director Mr Richard North, 44, who two weeks ago left Burton Group, the fashion retailer, with a non-contractual bonus of 12 months' salary - close to £250,000, writes Andrew Bolger in London. Bass said Mr North intended to fulfil the £60,000 contract to do 12 months' consultancy work for Burton which he was awarded

Fall of the Springer old guard

The shake-up was dramatic. Judy Dempsey asks if it came too late

r Axel Springer, who in 1946 founded what was to become one of Germany's largest publishing had any doubts about what editorial line his papers should take, and what they stood

Mr Springer, born in 1912, was a staunch defender of the reunification of Germany, he was virulently anti-communist; he sought reconciliation between Germans and Jews: and he was an ardent advocate of the market economy. The decision to locate Springer's tall office block at Check Point Charlie, the main crossing point for the divided Berlin, and to ensure it could be seen by east Berliners, confirmed these principles.

However, he never lived to see the collapse of the Berlin Wall. He died in 1985.

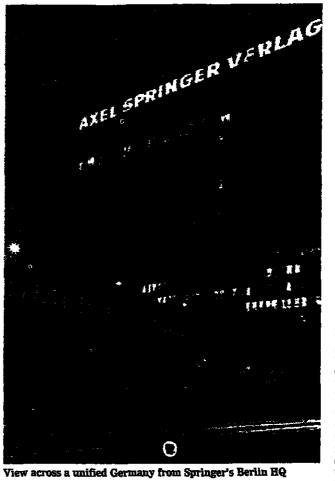
The Springer group's troubles started after German reunification, which coincided with the rapid expansion of the electronic media. The group. whose reputation was based on its three big dailies - Die Welt, Bild, and Berliner Morgenpost were slow to adapt to a united Germany and the

changing tastes of consumers. "Springer was just too slow in getting into the electronic media," said Ms Ute Wolf, media analyst at Deutsche Bank Research. "They were also slow in cost-cutting." In fact, it wasn't until two years ago that the board finally undertook to shed 800 of its 12,000 workforce, revamp Die Welt, and move the paper's

headquarters to Berlin. However, the main stumbling block facing Springer was the lack of strategy, caused largely by uncertainty on the board itself. Over the past year, shareholders have been asked to accept no continuity in the

leadership of the group. When Mr Gunter Wille, the chairman, died in November 1993, aged 65, he was succeeded by Mr Günter Prinz, 64. Then last April it was announced that Mr Horst Keiser, 58, would take over at yesterday's annual general meeting. He would remain in the job for only for a short time, an then be replaced by Mr Jürgen Richter,

Yesterday's decision by the



supervisory board to end the they saw as a confused uncertainty by promoting Mr Richter as chairman was welcomed by shareholders and analysts. "This is a positive development," said Mr Michael Geiger, media analyst at NatWest Securities in London. "Now it can work on its

strategy." The question is who organised the "coup" against the old guard, and what does Mr Richter want to do with the Springer group, which is almost certain to leave behind the traditions of Axel?

issatisfaction over the lack of continuity was apparent for some time, particularly within the Springer family, which holds a 50 per cent stake. Three of the heirs to the Springer group earlier this year published a letter in Die Zeit weekly criticising Mr Bernhard Servatius, chairman of the supervisory board, for what

strategy and the slow implementation of

decisions

Staff at Springer yesterday said the heirs had the support of Mr Leo Kirch, the media magnate who holds a 35 per cent stake and who, since 1956, has built up a a vast media empire spanning film, television, print and interests in eastern Europe. For his part. Mr Servatius supported Mrs Friede Springer, Axel Springer's widow, who is on

the supervisory board. The internal divisions in the family and supervisory board were expected to be papered over at yesterday's AGM. "But suddenly, three days ago, the supervisory board held a special meeting. They decided to replace the old guard. They informed the management board. And that was that," a Springer staff member

Mr Richter, apparently

backed by Mr Kirch, now intends to proceed with the following strategy: • the management board will be reduced from seven to six members:

• intermediate layers of

decision-making will be

scrapped, with the aim of giving board members more direct responsibility for marketing and distribution; younger staff from within the group will be promoted, to improve morale and keep them from going outside the company. Yesterday, Mr Klaus Leisner, 59, was dropped from the board and replaced by Mr Faik Ettwein, 52, who will be responsible for finance. Meanwhile. Mr Rudolf

Knepper, 49, replaces Mr Hans-Joachim Marx, 63, as head of production.

Springer will also focus more on the electronic media, and look at how best to cut the losses in its television magazines, which have not yet found their audience, and cut Die Welt's annual losses, which exceed DM70m

(\$45m). Analysts and staff believe Mr Kirch has played a role both in the strategy and the "coup". 'After all, he would like to increase his stake to 50 per cent" an analyst said, and this depended on whether the Springer family was prepared to increase his

Iready, Mr Kirch and Springer are working closely on Sat 1, the independent television network in which the former holds a 20 per cent stake, and

the latter, 40 per cent.
"The possibility of Kirch holding a majority stake in Sat 1 through Springer cannot be ruled out, but it would be criticised, if not prevented, by the authorities, We all think of Berlusconi," another Springer staff member

Whatever the outcome. yesterday's quiet revolution in Springer represents just one of the biggest shake-ups in the German media. It also represents the end of an era in a publishing house which prided itself on castigating the communists and upholding conservative traditions at any

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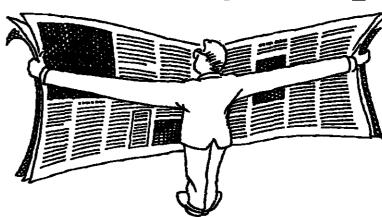
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March 1994

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INTERNATIONAL COMPANIES AND FINANCE

Sabic extends rally with 57% rise

By Mark Nicholson

At Harry

Saudi Arabian Basic Industries Corporation, the 70 per cent state-owned industrial and petrochemicals group, has reported a 57 per cent rise in earnings for the first half to SR1.35bn (\$380m), consolidating a strong turnround in profits which began in the last quarter of 1993.

Sabic said the growth resulted from a combination of improved world prices for its products, which include petro-

chemicals, plastics, fertilisers and steel, and a substantial rise in gross output as new projects have begun to come on stream.

Total revenues for the second quarter of 1994 were SR6.28bn against SR4.88bn for the corresponding quarter last year, according to Mr Ibrahim Ibn Salameh, Sabic's vicechairman and managing direc-

The group's gross output for the first six months reached 7.95m tonnes, a rise of 36 per cent over 1993, Sabic said out-

put was on target to reach total capacity of 20m tonnes a year by the end of 1994.

Sabic is well into an ambitious expansion scheme which, at an estimated cost by the end of this year of \$4bn, will have seen expansion at 12 of the holding company's 18 subsidiaries or

Sabic announced only this week that its Ibn Sina plant to produce methyl tertiary butyl ether (MTBE), the petroleum additive, had come on stream. The Ibn Sina plant is a joint

venture between Sabic and Panhandle Eastern, the US group, and Hoechst Celanese, a US unit of Hoechst.

The first half turnround follows growth of about 10 per cent in earnings during the last quarter of 1993 following falls in earnings in both 1991 and 1992 - largely attributed to soft world petrochemical prices.

Sabic, total assets of which rose 6 per cent to SR37.5bn, claims to command 5 per cent of global petrochemical mar-

Cheung Kong plans China spin off listing

By Louise Lucas in Hong Kong

Cheung Kong, the flagship of Mr Li Ka-shing's listed Hong Kong empire, is to spin off its China interests – which include property, hotel and infrastructure projects – in a separate listing within the next three and a half years.

To finance its China interests, which were recently brought together under the umbrella of Cheung Kong Holdings (China), Cheung Kong plans to issue US\$300m worth of five-year exchange-

able floating-rate notes.
The notes, which will pay 50 basis points above the threemonth US dollar London interbank offered rate, may be redeemed for shares in Cheung Kong (Holdings) China, once the initial public offer takes place, on an assured allotment basis, or for cash.

Holders of the notes may convert them into shares within one year of the IPO. After this, the notes become similar to a convertible note with an initial conversion premium of 10 per cent. Investors are also being offered a put option after three years, or on the first anniversary, enabling them to redeem the notes for the principal amount plus

Cheung Kong (Holdings) China 's projects include 11 property developments, five government-supported housing schemes and two hotels in Beljing and Guangzhou.

Posco expands to thwart Hyundai in steel sector The expansion of Posco's

By John Burton in Seoul

Pohang iron and Steel, South Korea's dominant steel company, yesterday announced plans to expand its production capacity in an attempt to block the Hyundai group from entering the steel sector.

The increase in Posco's annual production capacity by 5.9m tonnes to 28m tonnes would cover any predicted shortfall in steel supplies in the next decade and deprive Hyundai of its justification for starting the production of cold-

steel supplies. But Hyundai believes that South Korea will face a significant shortage of

facilities would be completed 1999 at a cost of Won15,000bn (\$18bn). Hyundai this week announced its long-term plans

to build, by the year 2001 at a cost of Won7,700bn, steel facilities to produce 9.3m tonnes a The government and stateowned Posco oppose the move, saying that the Hyundai facilities would result in a glut in

steel production would cause a price war that would threaten its status as the world's most profitable steel company It would also lead to the loss of Hyundai as

Posco's single biggest cus-

tomer, further depressing prof-Hyundai plans that twothirds of its steel production would be consumed internally by other group compa-nies, including car, shipbuilding and transport equipment

Gengold posts 16.9% decline

South African gold producer Gengold has posted a 16.9 per cent decline in after-tax profit for the June quarter to R9.8m (\$2.6m) from R11.8m in the previous three months. The drop was largely due to lower productivity and a higher tax rate which counteracted the effects

of the improved gold price. Widespread election-related labour unrest across the group's mines, combined with the large number of public holidays in the quarter, led to a 4 per cent drop in tons milled to 2,602 from 2,711. This in turn caused overall gold production to drop 3.9 per cent to 1,694kg from 1,763kg in the previous quarter and is well down on the 1,839kg mined in the June

quarter last year.

At the same time, overall taxation rose 30.6 per cent to R66.34m from R50.81m, and the payment of a further R25.39m to cover the one-off, 5 per cent transitional levy, announced in the June budget to help cover the cost of the election, further dented the bottom line.

Mr Gary Maude, managing director, admitted that labour unrest had been a significant problem and was continuing, but said he expected the cur-rent wave to subside gradually. Mr Maude also noted that the group had now unwound all its forward hedging with the exception of a small amount outstanding on the marginal Stilfontein mine and so was poised to take full advantage of the improved spot gold price in the next

Of the group's big mines

the labour problems and was able to use stockpiles to increase overall production slightly to 3,224kg from 3,220 in March. However, production at Kinross dropped from 3,030kg to 2,850kg while at Buffelsfon-tein it fell to 2,852 from 3,080kg.

• Labour problems and the costs of the transitional levy also hit the gold mines in the Anglovaal group as overall after-tax profit for the June quarter fell to R45m from R70m. The total cost of the

levy was R20.3m. A combination of lower grade achieved and lower tonnage milled led Hartebeestfon tein, the group's flagship mine, to record a drop in after tax profit to R40.2m, down from R62.6m in March. Gold production dipped to 6,550kg from

Japan brokers Alcan Aluminium of Canada face shake-up, sells stake in Australian unit chief warns

By Gerard Baker in Tokyo By Robert Globens in Montreal and Bruce Jacques in Sydney

Continued sluggish trading in Japan's equity markets is likely to force a reorganisation of Japan's brokerage industry, an industry official said yes-

Mr Sadakane Doi, chairman of the Japan Securities Deal-ers' Association, told a press conference that all brokers, including the Big Four -Nomura, Yamaichi, Daiwa and Nikko - were facing 'extremely severe' conditions as they approached the half-way point in the fiscal year at the end of September. "I think this could prompt mergers and acquisitions among industry members." he said.

Mr Doi also expressed concern about the entry into the securities market of subsidiarles of banks, a development allowed under a programme of financial deregulation.

NEW ISSUE

Alcan Aluminium, of Canada, has sold its 73.3 per cent hold-ing in Alcan Australia via an international secondary offerproportion of its business in ing worth US\$245m. wnstream activities. It repre-

Alcan had already said that it planned to dispose of its con-trolling stake. CS First Boston, the investment bankers and underwriter for the issue placed the Alcan Australia shares with institutional investors in Australia, Europe, North America and Asia. The placement totalled

130.8m shares at A\$2.55 (US\$1.87) a share. Alcan Australia employs 2,400 at seven plants and at distribution centres in Austrahia and New Zealand. But it is the smallest of Australia's integrated producers, with sales only one-third of rivals Alcoa Australia and Comalco.

Alcan Australia's primary capacity is 155,000 tonnes per year at its New South Wales smelter against 400,000 tonnes each for its competitors. Alcan Australia has a larger

sents 9 per cent of Alcan Alu-minium's total world primary metal capacity. Alcan Aluminium retains its bauxite mining interests in Australia and a 21.4 per cent stake in Queensland Ahumina. It will continue to supply alumina and technology to the independent Alcan Australia

and will market the latter's primary metal in Asia. Also, Alcan Australia will market Alcan products in Australia and New Zealand using the Alcan name until the end

The 26.7 per cent of Alcan Australia not under Canadian control has been held by vari-

ous Australian institutions Meanwhile, Alcan Australia to the black for the June half despite major production cuts affecting the worldwide aluminium industry.
The company turned a
A\$2.9m loss into a A\$9.4m net

profit in the period on a mar dnal increase in sales revenue from A\$301.9m to A\$307.5m. Directors said the profit was "still modest" and the company would not pay an interim The earnings improvement

came despite a 10 per cent cut in primary aluminium output, beginning this year, following an agreement among the world's major aluminium producers to reduce oversupply.

The result followed total tax provision of A\$7.5m, compared

A\$8.4m previously, and

July 14, 1994

interest expense of A\$5.4m

compared to A\$6.6m.

All of these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

July 11, 1994

FIM 2,592,000,000



Global Offering of 6,000,000 Preferred Shares, in the form of American Depositary Shares ("ADSs") or Preferred Shares (Each ADS Representing the Right to Receive One-Half of One Preferred Share)

> Global Coordinator CS First Boston

These securities were offered internationally and in the United States.

– International Offering –

2,000,000 Preferred Shares

CS First Boston

Enskilda Corporate Skandinaviska Enskilda Banken

Mandatum & Co Ltd

Cazenove & Co.

Deutsche Bank

UBS Limited

Indosuez Capital

S. G. Warburg Securities

United States Offering .

4,000,000 Preferred Shares in the form of American Depositary Shares or Preferred Shares

CS First Boston

Goldman, Sachs & Co.

Morgan Stanley & Co.

Alex. Brown & Sons A.G. Edwards & Sons, Inc.

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette

NatWest Securities Limited Lehman Brothers PaineWebber Incorporated

Hambrecht & Quist Invemed Associates, Inc. Oppenheimer & Co., Inc.

Arnhold and S. Bleichroeder, Inc.

Sanford C. Bernstein & Co., Inc.

Brean Murray, Foster Securities Inc.

Commerzbank Capital Markets Corporation

Cowen & Company

Fox-Pitt, Kelton Inc.

Furman Selz

Smith Barney Inc.

Gabelli & Company, Inc.

Gerard Klauer Mattison & Co., Inc.

Josephthal Lyon & Ross

C.J. Lawrence/Deutsche Bank

Ladenburg, Thalmann & Co. Inc. Legg Mason Wood Walker Nordberg Capital Inc.

SoundView Financial Group, Inc.

Piper Jaffray Inc.

Embotelladora Andina S.A.

7,000,000 American Depositary Shares Representing 42,000,000 Shares of Common Stock

All of these securities having been sold, this announcement appears as a matter of record only.

US\$126,000,000

The Company is the largest producer of soft drinks in Chile. Its principal business is the production and distribution of Coca-Cola products in Santiago. Chile and Rio de Janeiro, Brazil. In addition to its Coca-Cola products business, Andina produces and distributes fruit juices and other fruit-flavored beverages and mineral water; PET bottles, principally for its own use and that of other Coca-Cola bottlers; and processed agricultural products.

NYSE Symbol: "AKO"

Global Coordinator **CS First Boston**

These securities were offered internationally and in the United States.

International Offering -1,400,000 American Depositary Shares

CS First Boston

Baring Brothers & Co., Limited

Credit Lyonnais Securities

ABN AMRO Bank N.V.

Dresdner Bank N M Rothschild and Smith New Court

United States Offering -

5,600,000 American Depositary Shares

Paribas Capital Markets

CS First Boston

Bear, Stearns & Co. Inc.

Salomon Brothers Inc

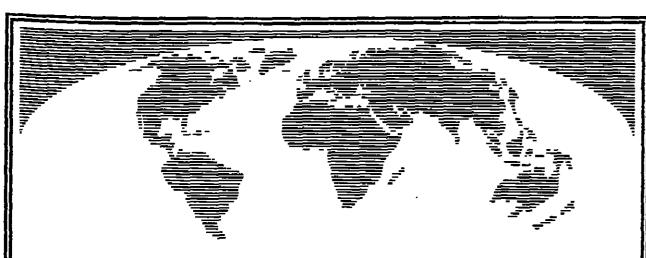
Credit Lyonnais Securities (USA) Inc.

ING Bank

eps\$ 1994

1993

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All of these securities having been sold, this announcement appears as a matter of record only.

\$256,979,980 Grupo Iusacell, S.A. de C.V.

Global Coordinators

MORGAN STANLEY & CO.

BEAR, STEARNS & CO. INC.

614,408 Units

Each Unit is Comprised of 3 Series D American Depositary Shares (Representing 30 Series D Shares) and 7 Series L American Depositary Shares (Representing 70 Series L Shares)

204,803 Units

This portion of the offering was offered outside the United States, Canada and Mexico by the undersigned.

MORGAN STANLEY & CO.

BEAR, STEARNS INTERNATIONAL LIMITED

INDOSUEZ CAPITAL ARGENTARIA BOLSA NOMURA INTERNATIONAL UBS LIMITED S.G. WARBURG SECURITIES

DEUTSCHE BANK

LATINVEST SECURITIES LIMITED

BARING BROTHERS & CO., LIMITED BNP CAPITAL MARKETS LIMITED **VESTRUST SECURITIES INC.**

409,605 Units

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LEGG MASON WOOD WALKER RAUSCHER PIERCE REFSNES, INC. WHEAT FIRST BUTCHER SINGER

9,859,134 Series D Shares

23,004,646 Series L Shares

This portion of the offering was offered in Mexico by the undersigned.

Price New Pesos 9.16 a Share

INVERMEXICO, S.A. DE C.Y., CASA DE BOLSA MEXIVAL BANPAIS, S.A. DE C.V., CASA DE BOLSA ACCIONES Y VALORES DE MEXICO, S.A. DE C.V., CASA DE BOLSA

CASA DE BOLSA BANCOMER, S.A. DE C.V. PROBURSA, S.A. DE C.V., CASA DE BOLSA

OPERADORA DE BOLSA SERFIN, S.A. DE C.V., CASA DE BOLSA Grupo Financiero Serfin GBM GRUPO BURSATIL MEXICANO, S.A. DE C.V., CASA DE BOLSA
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INTERACCIONES CASA DE BOLSA, S.A. DE C.V.

VECTOR, CASA DE BOLSA, S.A. DE C.V.

VALORES FINAMEX, S.A. DE C.V., CASA DE BOLSA INVERSORA BURSATIL, S.A. DE C.V., CASA DE BOLSA
Grupo Financiero Indurea

MULTIVALORES CASA DE BOLSA, S.A. DE C.V.

July 1994

INTERNATIONAL COMPANIES AND FINANCE

Prescription sales behind solid results from US drugs groups

1.9

Pfizer issues profits warning

By Richard Waters In New York

warning from Pfizer that this year's profits would fail to match many analysts' estimates clouded what was otherwise a moderately positive set of second-quarter figures yesterday from some of the leading US drugs groups.

Morck

Schering

Bristol-Myers

J'son & J'son

blamed this

short-term

All the companies reporting yesterday showed double-digit gains in sales of prescription drugs in the US, with overseas sales growth generally lower due to regulation on prices in

Europe and a weaker dollar. The US gains mainly stemmed from new products and reflected higher volumes, with prices remaining under Mr Henry McKinnell, Pfizer's

chief financial officer, warned that the company's earnings per share for 1994 would come "toward the bottom" of the range of market expectations, which stand at \$4.10 to \$4.25. The warning follows the

issue of a new patent in the US to Bayer, the German pharma ceuticals group, which will require Pfizer to pay higher rovalties on its biggest-selling product, the cardiovascular drug Procardia XL.

Pfizer said the effect was to reduce pre-tax profits by \$18m in the second quarter, with the full-year cost put at \$36m. These figures represent the company's expected higher royalty payments to Bayer, offset partly by lower royalties it will have to pay to its US partner, Alza, on the drug. Sales of Procardia XL also dropped 9 per cent during the efore, though the company

inventory adjustments by wholesalers. Despite this, sales during the This was countered by volume gains for a range of newer period were 10 per cent higher drugs, the company said.

than the year before, driven by a 16 per cent increase in US pharmaceuticals sales. The growth was driven by a range of new products, with sales of four - Zoloft, Zithromax, Norvasc and Cardura - growing in aggregate by 59 per cent to account for a third of total drug sales in the period.

Merck, the US's biggest drugs group, recorded a 10 per cent growth in sales of human

revenues feil 1 per cent. and animal health products from a year before. Adding in sales of Medco Containment Services, the drugs distributor It acquired last year, sales growth was 18 per cent.

The company's after-tax profits grew at the slower rate of 10 per cent, though, due to the lower margins on Medco's business compared to Merck's traditional operations. Mr Raymond Gilmartin, who recently took over as Merck's

chief executive and will

become chairman in November, said the company had seen "strong unit volume gains during the period. Sales of Mevacor, a cholester-

ol-lowering agent, fell on competition from rival products. along with a group of other longer-established products.

How US drugs companies have fared

694° 521

Bristol-Myers Squibb's sales growth during the quarter was driven by a 12 per cent increase in drugs sales, with Capoten, its largest-selling product, advancing by 7 per cent despite increasing competition. Consumer product sales, meanwhile, grew by only 1 per cent, while nutritional product

The company also warned it could face an additional charge to profits stemming from breast implant claims against it. The charge could arise due to the number of women who have opted out of an global industry-wide settlement reached in March, requiring the company to settle claims

individually. Bristol-Myers said it did not yet know what the claims would be, but added it "could have a material impact on the company's results for the

Bristol-Myers, like other drugs groups with manufacturing operations in Puerto Rico.

a 30 per cent increase in oper-

Mr Gerald Taylor, MCI presi-

dent, said the company contin-

ued to gain new customers

He added that other factors

behind the leap in profits were

its ability to capitalise on early

opportunities in select markets

and deliver services faster and

for the six months, the

group reported net income of

ating income, to \$158m.

across the board.

also reported a higher tax charge due to the phasing-out of tax allowances in the US. This had pushed the effective income tax rate up to nearly 30 per cent from 25 per

cent a year before, it said. A 26 per cent increase in US drugs sales, to \$541m, was the main factor behind sales growth of 10.6 per cent at Johnson & Johnson during the sec-

ond quarter.
Total drugs sales grew by 17
per cent to \$1.31bn, while sales of consumer products rose ? per cent to \$1.27bn and professional products increased 8 per cent to \$1,34bn.

1830

US pharmaceuticals sales growth was led by two new products, Risperdal, a treatment for schizophrenia, and Propulsid, a gastro-intestinal drug, said Mr Ralph Larsen. chairman and chief executive.

Schering-Plough also benefitted from stronger US prescription drugs sales, with revenues from Claritin, an antihistamine, topping quarterly sales of \$100m for the first time.

While foreign sales were unchanged, total pharmaceuti-cal sales growth of 9 per cent (10 per cent before the effect of exchange adjustments) was driven by growth in the US.

Cost-cutting

underpins

Douglas

By Richard Tomkins

in New York

second quarter.

year's figure.

McDonnell

McDonnell Douglas, the US

defence and aerospace group,

reported a fall in net earnings

to \$138m from \$170m in its

However, the figure repre-

sented a 22 per increase from

\$113m if unusual items were

The improvement was achieved in spite of a down-

turn in revenues caused by poor demand for commercial

aircraft and reduced activity in the missiles, space and elec-

tronic systems segment. Group

turnover fell by 15 per cent to

By cutting costs, McDonnell

Douglas was able to increase operating profits to \$259m

MCI Communications income ahead 43% in second quarter

By Martin Dickson in New York

MCI Communications, the second largest US long distance telecommunications company, yesterday reported a 43 per cent increase in second quarter net income, helped by growth in the consumer, busi-

ess and global markets. MCI, in which British Telecommunications will buy a 20 per cent stake when regulators have approved the purchase, reported net income of \$2150 or 37 cents a share, compared with \$150m, or 27 cents, in the same period of last year.

The 1993 figures included a charge of \$28m, or 5 cents a

share, for the early retirement of debt.

Revenues totalled \$3.31bn, up distance carrier, also reported good results on Tuesday, with its long-distance unit reporting

13 per cent on the second quarter of last year, while year-onyear traffic grew 14.4 per cent, substantially higher than the industry average.

The figures were slightly ahead of the consensus Wall Street forecast, which was pitched around 36 cents a They confirmed both the

strong growth of iong-distance market

economic recovery, and MCI's above-average momentum, due to strong marketing and inno-

vative products. cents Sprint, the third largest long 1993.

\$424m, or 73 cents a share, compared with \$301m, or 55 cents, in the first half of

more cost-efficiently.

Allstate bounces back for record

By Patrick Harverson in New York

Allstate, the US insurance group whose first-quarter results were hit by the Los Angeles earthquake in January, yesterday announced record second-quarter net income of \$402m, up from \$396.7m in the same period of

The strong earnings represented a sharp rebound from the \$275.2m loss in the first three months of the year.

By Richard Waters

Net income on a per share basis was 89 cents in the quarter, down on the 94 cents a share income in the same period of 1993 due to an

Smith Barney, the securities

company owned by Travelers, the US financial services

group, posted a 45 per cent fall

in earnings in the three months to the end of June compared with the previous

quarter.
The company blamed the fall

on lower trading volumes and difficult financial markets,

echoing other financial firms

which have reported figures in

Smith Barney's net income

of \$79m, on revenues of

\$1.28bn, compared with

increase in the number of shares outstanding.
For the first six months, Allstate earned \$126.8m, or 28 cents a share, down sharply

the first half of 1993. The decline was attributed to the cost of meeting more than \$1bn of claims from the Los Angeles earthquake and the severe winter storms which hit large areas of the east coast in

from the \$716.8m, or \$1.70, in

January and February.

Property and liability operations reported net income of \$355.1m, slightly lower than a year earlier because of higher catastrophe losses, but still strong thanks to favourable trends in vehicle claims

Smith Barney earnings fall 45%

in the previous period.

Comparisons with a year ago

are not relevant since Smith

Barney absorbed the retail broking arm of Shearson Leh-

man in the second half of last

The profit decline, which left

Smith Barney with return on

equity of 14.2 per cent for the

period, was behind a fall

in profits at Travelers

compared with the previous

The financial services group,

which changed its name from

Primerica after acquiring the

Travelers insurance company,

at the start of this year, posted

period.

\$1.44m, on revenues of \$1.450n, net income of \$320m, or

and expense reductions. Life insurance operations reported a modest increase in net income to \$56.9m. Allstate shares rose \$% to

• ITT, the US conglomerate with significant insurance operations, yesterday reported second-quarter net income of \$258m, or \$1.97 a share, down from \$267m, or \$2.02, a year

Mr Rand Araskog, chairman, said all three of the group's largest business areas - finan-cial services, manufactured products and hotels - regis-

93 cents a share, and six-month net income of \$660m, or

Mr Sanford Weill, chairman and chief executive, said the group results showed that its

iverse businesses made it able

Net income at most of Trav-

to "withstand the volatility of

elers' businesses equalled or

exceeded the previous period,

with consumer finance contri-

buting \$55m, Primerica Finan-

cial Services \$52m, the Travel-

ers life and annuities business

\$50m. managed care and

employee benefits \$34m, and

property-casualty insurance

the securities husiness"

tered impressive sales growth

from \$234m last year, excluding unusual items. Earnings \$24% on the New York Stock per share were \$3.50, com-Exchange yesterday. pared with \$4.33 last time, or \$2.87 without unusual items. The most profitable segment

was military aircraft, which saw an 11 per cent increase in revenues. Operating profits rose from \$118m to \$153m. Commercial aircraft revenues fell more than 40 per cent

due to declining demand The company delivered eight MD-80 twin-jets and four MD-11 tri-jets in the second quarter, against 13 MD-80s and 10 MD-11s in the same period last year. However, the division lifted operating profits from \$12m to \$24m.

The missiles, space and electronic systems segment saw a 33 per cent decline in revenues because of the company's reduced role in the space sta-tion programme and the winding down of the advanced cruise missile programme. Operating profits fell from

\$99m to \$80m. Cashflow from aerospace operations remained strong. allowing the company to cut debt by more than \$300m in the first six months to \$1.300 at June 30.

Net income for the first six months was \$272m, compared with \$207m before unusual items and \$386m after

Production delays depress Lotus results

By Louise Kehoe In San Francisco

recent days.

Lotus Development, the US personal computer software company, has reported a 36 per cent drop in second-quarter earnings, blaming product delays and the reorganisation

of its sales force. Net earnings from operations for the quarter were \$9.7m, or 20 cents a share, down from \$15.2m, or 35 cents, last year. Revenues were down 5 per cent

In last year's second quarter, Lotus took a \$19.9m charge related to the acquisition of Approach Software. After the charge, the company reported a net loss of \$4.6m, or 11 cents a share.

"Product delays, cyclical competitive pressures, the reorganisation of our US sales force and the transition to a new worldwide channel sales programme contributed to our disappointing performance," said Mr Jim Manzi, president and chief executive.

Lotus failed to release several new products on schedule. It is also under intense competitive pressure from Microsoft, the largest PC software company, analysts said. Although Lotus sales of communications software are growing, it is still heavily dependent upon market segments in which it is

Lotus's communications products include Notes, a tool for sharing information and collaborating across computer

networks, and cc:Mail, the best-selling e-mail program.

"Based on the expected shipment of the delayed products during the next several weeks and continued momentum in our communications business. we expect to see improved revenue growth in the second half of the year," said Mr Ed Gillis. chief financial officer. being overtaken by competi-

For the half year, net income from operations was up 13 per cent to \$31.1m, or 64 cents a share, on revenues 2 per cent





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FRENCH EQUITY MARKET LEAGUE TABLES : (First-half 1994)

BANQUE NATIONALE DE PARIS

Lead-positions:



Number 212 for privatisations



Number 12 for equity and equity-linked issues



Number 11 for public offers and take-over bids



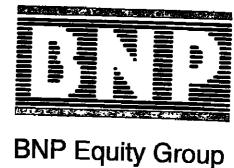
Number 22 for initial public offerings

elected France's leading investment Bank*



BNP's Merchant Bank

*Source: Option Finance (July 1994)



US Treasuries nosedive after Greenspan's testimony

and Conner Middelmann in London

US Treasury bonds retreated yesterday morning after the Federal Reserve chairman told a Senate committee that a further tightening of credit conditions was still "an open question".

By midday, the benchmark 30-year government bond was 薯 lower at 84%, with the yield rising to 7.534 per cent. At the short end, the two-year note was down & at 99%, yielding 5.998 per cent.

In early activity, bond prices showed modest declines as traders adjusted their positions ahead of the congressional testimony by Mr Alan Greenspan, the Fed chief. The selling came after several strong sessions in which the market had antici-

By Frank McGurty in New York banker that an early move to a smattering of favourable ecohigher interest rates was

Instead, Mr Greenspan was decidedly non-committal, and bonds went into a tailspin. In his twice-annual Humphrey-Hawkins briefing, he said he was uncertain whether the four increases in short-term

GOVERNMENT BONDS

rates sanctioned by the Fed so far this year had been sufficlent to dispel inflationary pressures in the economy. Mr Greenspan's comments

left no doubt in the minds of bond traders that the Fed may move to a tighter monetary policy in the run-up to the next meeting of its policy-making arm on August 16. That prospect overwhelmed nomic data released earlier in the morning. The Commerce Department said housing starts last month had dropped 9.8 per cent while building permits

had fallen 3.0 per cent. As the afternoon commenced. Treasuries stabilised at moderately lower levels. But the market was still facing the announcement of the size of next week's government auction of new two-year and fivevear notes.

■ European government bonds ended a volatile session lower across the board.

Traders said the correction would test the durability of the recent rally, which has seen 10year bund yields move more than 50 basis points in two

"We've had quite a powerful move, so I'm not surprised to see a bit of profit-taking," said DM4.7bn auction of the second a Franfurt bund dealer. He tranche of the new 6.75 per expected the retracement to continue in the short-term, but did not expect prices to return

to recent lows. Some traders said the largely technical correction could represent an important test for bond markets.

"Will investors use these cheaper levels to put some cash to work? And will those who participated in the early stages of the rally be comfortable holding on to their positions?" asked Mr Stephen Dulake, international bond strategist at Paine Webber.

■ German bonds underperformed many of their neighbours and fell by more than half a point at the long end with DM7.7bn of new 10-year government bonds weighing on

US DOLLARS

Nesté Holdings(f)

D-MARKS Astinag(h)‡

ITALIAN LIRE

AUSTRALIAN DOLLARS

Export Finance & Ins. Corp.

Federal Home Loan Bir. Syst MBL Finance(Curacao)(c)+; MBL Finance(Curacao)(b,d); MBL Finance(Curacao)(e)+;

prices. Although yesterday's

cent bund issue was deemed a success, traders said most of it went on bank's books rather

than into firm retail hands. The Bundesbank's repo rate fell another three basis points to 4.88 per cent, as expected, giving away little ahead of today's Bundesbank council meeting. Most market participants said they expected the central bank to leave key lending rates unchanged.

■ French bonds tracked hunds lower as dealers took profits after the recent days' sharp

The French Treasury today is to auction FFr19bn FFr21bn of new two- and five-year Btans. According to one dealer, the possibility of another 10-ba-sis-point cut in the Bank of France's intervention rate

NEW INTERNATIONAL BOND ISSUES

Aug. 1996 Jul. 2007 Jul. 2004 Jul. 2004

Aug.2001

P(s) 00.001 00.001 00.001

99,75

101,58 Sep.1999

102.00 Aug.1998

200

75

100

(h1)

7,00

8.625

5.00

could underpin the auction.

■ Weakness in other markets put pressure on UK gilts, triggering some stop-loss selling in the futures market. Dealers said most of the activity took place in the futures pits, and did not report strong selling by cash investors.

"If anything, many investors would like to see the market work its way a bit lower so they can buy more cheaply at next week's auction," a dealer

 The London International Financial Futures and Options Exchange (Liffe) will begin trading long gilt futures and options contracts a half hour earlier starting August 1. The futures contract will open at 0700 GMT and the options con-tract at 0702 GMT in line with the cash market.

Lehman/ Morgan Stanley Mitsubishi Financa Ind. Mitsubishi Finance Ind. Mitsubishi Finance Ind.

BNL/C.italiano/Son Paolo

+20 (6%-99) Goldman Sachs Inti.

+40 (8*4%-01) KBW Effectenbunk

Credit Suiss

CBOT and Liffe consider linking after-hours trade

By Tracy Corrigan

The pattern of alliances between the world's futures exchanges shifted once again yesterday. The Chicago Board of Trade and the London International Financial Futures & Options Exchange, largest and third-largest exchanges, said they would explore the feasibility of linking their after-hours electronic trading systems.

The two exchanges were known to be looking at ways to join forces, after both turned their backs on Globex, the electronic trading system developed by Reuters.

DERIVATIVES

Although Globex has achieved disappointing vol-ume, relying mainly on afterhours trading the Matif French futures exchange, it does command an impressive grouping of bond contracts.

Since Liffe decided not to join the system, mainly because of concerns about restrictions on other commercial links, and the CBOT, one of the original backers of the project, pulled out earlier this year, Globex has attracted Germany's Deutsche Terminborse to join the Matif and the Chicago Mercantile Exchange. The Matif and the DTB have agreed to link their day-time trading.

The CBOT has an agreement in principle with Bloomberg which would give users with Bloomberg terminals access to its products.

The growing number of strategic alliances between futures exchanges has raised the stakes for Liffe and the CBOT both have a number of failed efforts behind them. But the

technical feasibility still has to be explored. It involves linking two after-hours systems, Liffe's APT and the CBOT's Project A. which have certain similarities - both are open workstationbased systems - but some important differences.

Users would have to be trained on both systems, which could be accessed on the same workstation, but through different windows. The APT system replicates trading in the futures nits, while Project A is a trade-matching system.

We are optimistic that it can be done," said Mr Phil Bruce, director of strategic business development at Liffe. He hopes the technical study will be concluded by the end of this year, and a live system would be implemented in 1995.
Unlike Globex, the agree-

ment would allow each exchange to retain "complete control of its own contracts". according to the CBOT. Clear-ing would be provided by the Board of Trade Clearing Corporation for CBOT contracts and the London Clearing House for

Liffe products.
While the Liffe/CBOT link and Globex are part of the same trend, the potential rivalry between the two systems should not be exaggerated. For the most part, they will trade different products. The only direct competition would be for business in bund futures, and perhaps short-term German interest rate futures, listed on both the

DTB and Liffe. Nevertheless, the move is not good news for Globex, which is left with a smaller array of products than it might have hoped for, in a market which is cynical about the scope for global trading.

Lukewarm reception for US bank's \$1bn offering

By Graham Bowley and Antonia Sharpe

Federal Home Loan Bank (FHLB) failed to set the international bond market alight yesterday with the launch of its anticipated inaugural \$1bn offering of global bonds. The indicated price range on the two-year bonds was 9 to 11 basis points over five-year Treasuries, in line with market expectations.

Syndicate managers said although FHLB had worked hard to raise its profile with investors outside the US, demand from Europe and Asia was muted and they expected most of the bonds to flow back into the US. However, joint lead managers Lehman Brothers and Morgan Stanley said placement was evenly split between the regions.

The bonds are likely to be priced this afternoon to yield

10 basis points over Treasuries. Yesterday's sudden sell-off in the US bond market was not expected to hamper the deal, indeed a potential coupon of close on 6% per cent as a result of the weakness was likely to attract more buyers.

INTERNATIONAL **BONDS**

With FHLB's deal out of the way, the calendar of new eurobond issues is looking thin, though the European Community is expected to invite bids for its seven-year Ecu300m issue early next week. Syndicate managers wel-

comed the slowdown in new

issues business which would give the market time to digest the recent flood of supply.

Among yesterday's other

offerings, General Electric Capital followed hard on British Telecom's heels raising £100m through an offering of five-year eurobonds, taking advantage of improved conditions in the sterling bond market and the greater demand from European investors.

The bonds were priced to yield 20 basis points over the 6 per cent UK government bond (gilt) due 1999, which dulled their appeal to institutions somewhat. Indeed, some syndicate managers said when compared with a gilt with a more comparable maturity, the spread on the bonds was closer to 14 basis points. However, European retail increased the three-year offer-

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at lounch is supplied by the load manager, #Unlisted, #Floating rate note, #Serri-annual coupon. Rt found re-offer price; less are shown at the re-offer level, a) Priced today at 9-11bp over Treasuries. b) Long 1st coupon, c) Series 1. Callable from 25/7/02 at por. c1) 7/5% to 25/7/02 and 6-mth Libor +50bp thereafter, d) Series 2. Callable from 29/7/99 at par. c1) 7/5% to 25/7/99 at par. c1) 7/5% to 25/7/99 and 6-mth Libor +50bp thereafter, f) Issue bunched on 29/6/94 was increased to \$300m. g) Short 1st coupon. ft) 2m floor certs issued at DM6.60 pay difference between 7% and 8-mth Libor. h1) 8-mth Libor +50bp; max 7.3%. investors were strong buyers. The funds raised were swapped to floating-rate sterling.

Nestlé Holdings followed up

on the success of its \$200m

eurobond issue in June when it

ing by a further \$100m yesterday. Lead manager CS First Boston said the bonds were aimed mainly at Swiss retail investors. The new tranche was priced to yield 5 basis points over the yield on the 6%

per cent Treasury due 1997. Given Nestlé's high standing among investors, the spread is expected to tighten further and eventually trade below Treasuries. Late yesterday, the spread was unchanged.

said placement was evenly comed the slowdown in new	However, European retail increased the three-year offer-
WORLD BOND PRICES	
BENCHMARK GOVERNMENT BONDS	Italy
Red Day's Week Month Coupon Date Price change Yield ago ago	M NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES (LIFFE)* Ura 200m 100ths of 100%
Australia 9.000 09/04 97.2700 -0.570 9.42 9.63 9.75	Open Sett price Change High Low Est. vol Open int.
Belglum 7.250 04/04 95.7000 -0.650 7.89 7.89 8.10 Canada 6.500 06/04 83.5000 -0.600 9.07 9.14 9.42	Sep 104.15 103.53 -0.47 104.40 103.25 40816 74846 Dec 102.33 -0.47 0 110
Denmark 7.000 12/04 92.9200 -0.230 8.02 8.28 8.42 France BYAN 8.000 05/98 105.0000 +0.380 6.47 6.90 7.03	
OAT 5.500 04/04 87.8700 -0.470 7.28 7.36 7.63 Germany Treuhand 6.750 05/04 99.8000 -0.380 6.77 6.83 7.20	II ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%
haly 8.500 01/04 88.8000 -0.660 10.39† 10.21 10.47 Japan No 119 4.800 06/99 104.8850 -0.270 3.63 3.56 3.66	Strike CALLS Price Sep Dec Sep Dec
No 164 4.100 12/03 98.5270 -0.130 4.32 4.42 4.41 Netherlands 5.750 01/04 92.4000 -0.660 6.86 6.92 7.12	10360 1,97 2,84 1,94 4,01 10400 1,71 2,83 2,18 4,30
Spein 8.000 05/04 85.6000 -0.550 10.36 10.56 10.88 UK Gitts 6.000 08/99 92-12 -10/32 7.86 7.90 8.31	10450 1.48 2.44 2.45 4.61 Est. vol. lotal, Calle 4801 Puis 387. Prévious day's open int., Calla 33493 Puis 29138
6.750 11/04 89-22 -24/32 8.24 8.21 8.59 9.000 10/08 105-11 -22/32 8.35 8.30 8.63	
US Treasury 7.250 05/04 100-00 -22/32 7.25 7.42 7.15 6.250 08/23 84-24 -22/32 7.55 7.89 7.44	
ECU (French Govri) 6.000 04/04 88.4500 -0.420 7.72 7.88 8.18 London closing, "New York mid-day Yielder, Local meries eanderd.	Spain
† Gross (including withholding tax at 12.5 per cent payable by nonresidental) Prices: US, UK in 32nds, others in decimal Source: <i>IABKS international</i>	MOTIONAL SPANISH BOND FUTURES (MEFF) Open Sett price Change High Low Est. vol. Open int.
US INTEREST RATES	Sep 91.40 90.80 -0.43 91.55 90.70 57,192 104,228
Lunchtime Treasury Bills and Bond Yields One receib	Dec - 90.44 564
Prime rate 714 Two month 4.25 Three year 6.80 Smiler from rate 512 Three month 4.42 Five year 6.80	UK
Fed Secules	NOTIONAL UK GELT FUTURES (LIFFE)* 250,000 32nds of 100%
BOND FUTURES AND OPTIONS	Open Sett price Change High Low Est. vol Open int.
_	i Sep 103-22 103-02 -0-23 103-28 102-30 62592 110256 Dec 102-06 102-08 -0-23 102-06 102-06 4 1241
France NOTIONAL FRENCH BOND FUTURES (MATIF)	■ LONG GILT FUTURES OPTIONS (LIFFE) 250,000 64ths of 100%
Open Sett price Change High Low Est. vol. Open Int.	Strike — CALLS — PUTS —
Sep 117.70 117.08 -0.68 117.82 116.88 149.274 124.326 Dec 116.88 118.22 -0.68 118.86 116.30 1.208 13.480	Price Sep Dec Sep Dec 103 1-32 2-40 1-28 3-24
Mar 118.14 115.50 -0.68 116.14 115.70 1,177 1,967	104 1-01 2-13 1-61 3-61 105 0-43 1-53 2-39 4-37
Strice CALLS PUTS	Est. vol. total, Calls 2283 Puts 2076. Previous day's open int., Calls 53975 Puts 50031
Price Aug Sep Dec Aug Sep Dec 115 0.16 0.78 -	
116 1.67 2.19 · 0.35 1.05 2.23 117 0.75 1.47 - 0.68 1.41 2.67	Ecu
118 0.30 0.95 1.45 - 1.83 - 119 0.10 0.57 1.10 1.97	ECU BOND FUTURES (MATIF)
Est. vol. total, Calle 27,585 Puts 54,887 , Previous day's open inc., Calls 361,623 Puts 360,524	Open Selt price Change High Low Est, vol. Open Int. Sep 85.66 85.00 -0.56 85.66 85.00 1,888 5,798
Gerthany M NOTIONAL GERMAN BUND FUTURES (LEFFE) DM260,000 100ths of 100%	Dec - 84.56 -0.56
Open Sett price Change High Low Est, vol Open Int.	US
Sep 94.60 93.68 -0.78 94.64 93.81 159476 165983 Dec 93.75 92.99 -0.76 93.75 92.96 1559 11042	US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100% Open Latest Change High Low Est, vol. Open int.
III BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%	Sep 103-18 103-14 -0-05 103-23 103-11 336,522 375,636 Dec 102-25 102-23 -0-03 102-30 102-19 4,621 57,354
Strikes — CALLS — PUTS — Price Aug Sep Oct Dec Aug Sep Oct Dec	Mer - 102-03 88 4,320
9350 0.45 1.13 1.09 1.47 0.27 0.95 1.60 1.98	
9400 0.21 0.88 0.87 1.25 0.53 1.18 1.88 2.26 9450 0.03 0.63 0.67 1.03 0.91 1.45 2.18 2.54	Japan Michignal Long Term Japanese Govt. Bond Futures
Est. vol. (stal. Calle 13526 Puls 16863. Previous day's open Int., Celle 294631 Puls 281853 III NOTIONAL MEDIUM TERM GERMAN GOVT. BOND	(UFFE) Y100m 100ths of 100%
(BOBL)(LIFFE)* DM250,000 100ths of 100%	Open Close Change High Low Est vol Open Int. Sep 109.72 109.76 109.44 3480 0
Open Sett price Change High Low Est, vol Open int, Sep 98.73 -0.52 0 76	Dec 108.73 108.74 108.66 47 0 *LIFFE contracts wided on APT. All Open Interest Sgs. are for provious day.
- "	
UK GILTS PRICES	
Yess	8 5 1994
Notice list Red Price E + or - High Low Notice list	Red Price £ + or − High Low Holse (1) (2) Price £ + or − High Low
Shorter (Lieux up to Five Young 1907 1	8.46 109½> 127½ 109½ Indox-Listad (b) 8.61 114½> 129½ 117½ 2pc 96
Tream Spc 199413 8.89 5.10 1014 - 103H 1014 Consumina 9/200 2004 8.84	8.40 107½ -2 1254 103 2½pc 11
120 1995	824 89일 - 및 1951 89월 2486 123
Tress 12 age 1995## 11.78 8.02 1084 1125 1084 74 pc 2008## 8.10	8.34 95% - 11211 91½ 25% 10
15 apr 1998 1 13.34 6.62 1148 - 1 1212 1132 Tests 11 apr 2009-7 9.96 Each 13 apr 1998 1 1 1.92 6.64 111	873 (1713a) -1 1351 1135 2500 16
Inser Cay 7pg 199714 7.00 7.02 100xd -3 1005 984 7	2400 2011
Trees 131_pc 1697# 11.86 7.19 1133jal -2 121 1127a 1688 9pc 2008 ‡‡ 9.53 Each 169pc 1997	8.34 10533 - 2 17446 101 44-pc 30\$\frac{1}{2} (125.1) 2.72 3.86 108.6 - 1 1286 105% Prospective real redemption rate on projected inflation of (1) 105 and (2) 5%. (6) Figures in parentheses show Pf) base for
Exch 15pc 1897 12.40 7.83 1203 - 1313 1183 1843 1845 1845 1845 1845 1845 1845 1845 1845	Indexing (is 8 months prior to leave) and have been adjusted to reflect rebasing of RPT to 100 in January 1987. Conversion lactor
Treas Page 1986-9842	3.945, RPT for Howernber 1993: 141.8 and for June 1994: 144.7.
14pc 90-1 11.72 8.00 1193 -2 131 117 fees 6 1/4pc 2010 7.58 Tress 15 2pc 9011 1221 7.84 128 -2 140 124 124 120 pc 10 101 111 0.47	and will 一小 855 元名 Other Fixed Interest an 1983 - 4 1983 1965
Each 12pc 1996 10.46 7.96 1149 - 1251 1124 Treas 9c 2012±± 0.44 Treas 92pc 1996±± 0.96 7.95 105% - 2 1162 1034 Treas 5½pc 2008-12±± 7.20	8.29 106 [sal - 12 1275 101 d. http://doi.org/10.1016/12.1016/
Treas See 2013##	8.22 (Shall _1] 1141 (St.) Aftern Der 116 (2014
First to Fitted 1 These 1 Thes	8.22.105 2nd -12 1384, 396 Asian Osr 104 pt. 2009 8.65 1137, -13, 1384, 1987 8.48 1337, -12 1391, 1274 Fram 117 pp. 2012
Esth 12 ¹ -pc 1999 10.57 8.09 115½ -2 129½ 113½ 125½ 113½ 125½ 113½ 125½ 113½ 125½ 1259 1259 1259 1259 1259 1259 1259 1259	9pc Cap 1998
Convenients (04spc 1999	13pc 97-2 11.69 - 1114 - 1; 155 100 1; Hydro Quadro: 15pc 2011 . 10.37 9.58 1445 - 1,2; 1093; 1393; Lucda 134pc 2006 10.40 - 1394 - 1493 1254
Treas 13ps 2000 10,70 6.38 1213 -13 1363 1184 Consts 4pc 6.39	- 4733ml -1 5934 4415 LCC 3pc 20 At 9.02 - 384 -1 4015 284
96 Ti #	- 423 - 5413 3011 Manchester 11 2pc 2007 9.85 9.27 1164 +4 1364 112 - 5012 - 71 554 Met. We. 3pc 8 4.32 7.00 584 - 78 664
9-100 2002 9.05 8.44 107 -2 123 2 1035 Campols 21-20c 8.25	- 3512 -1: 41% 33% Novice Angles 39 pt 2021 - 4.49 132½ +1, 150½ 123½ - 30.5 +1, 30½ 38½ 38% 41.00 L 2024 - 4.47 127% +1½ 145% 123%
	- 3051 - 37% 2711 With Mas States 1642pc 2000 12.04 - 137 -2 15942 136
Tap' stock. 💢 Tap-free to non-residents on application, E Auction begin, set En dividend. Cleake m	

FT-ACTUAR	IES FIXED	INTERE	ST IND	ICES										
Price Indices UK Glits	Wed Jul 20	Day's	Tue Jul 19	Accrued interest	xtiadi.		L <i>a</i> v Jul 20			~ Mediu Jul 20	m coupe			coupon yield
OV CNP		change %	30 19	■ Neresk	ytd_		3UI 2U	- VIZI 18	Yr. ago	368 40	- Jul 13	11. 460	308 24	Jul 19 Yr. ag
1 Up to 5 years fa	24) 122.08	-0.11	122,22	1.75	6.40	5 yrs	7.94	7.86	6.87	8.14	8.09	7.05	8.20	8.13 7.26
2 5-15 years (22)	142.71	-0.33	143.54	2.23	7.06	15 yrs	8.22	8.18	7.77	8.33	8.28	7,87	8.62	8.56 8.13
3 Over 15 years (9} 158.72	-0.38	159.32	1.01	8.11	20 yrs	6.19	8.17	7.90	8.33	8.26	7,95	8.46	8.41 B.18
4 impdeemables (6	5) 183.38	-0.21	183.76	2.00	7.38	irrod.†	6.24	8.22	8.03					
5 All stocks (61)	139.67	-0.27	140.23	1.89	7.05	-								
							_	Inflati	lon 5%		-	Inflatio	o 10%	===
index-linked					_				19 Yr.				19 Yr. :	
6 Up to 5 years ©	187.32	-0.01	187.33	1.51	2.53	Up to 5 yrs	1 3	1.60 3	.59 2	82		.50 2.	48 2.0	D1
7 Over 5 years (11		-0.11	172.68	0.44	3.25	Over 5 yrs	3	L84 3	183 3.4	44	3.	.64 3.	63 3.2	25
8 All stocks (13)	173.12	-0.10	173.29	0.54	3,16	•		_						
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9 Debs & Loans (7)	6) 131.25	-0.35	131,72	2.77	5.84		9,36	9.31	8.49	9.32	9.28	8.81	9.28	9.24 8.96
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COMPANY NEWS: UK

Chairman forecasts strong year ahead as paper and packaging markets recover across Europe

and packaging markets recover across and packaging markets recover across David S Smith pleases market with 56% rise

By Andrew Bolger

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Shares in David S Smith Holdings jumped by 22p to 550p after the paper, packaging and office supplies group pleased the market with better than expected results and a confident trading statement

Pre-tax profits jumped by 56 per cent to £42.2m in the year to April 30, while turnover rose by 51 per cent to £783m. Both increases were mainly

due to a nine-month contribution from Spicers, the UK's largest wholesaler of office products, bought for £93.5m last year.

Mr Alan Clements, chairman, said: "After three years of cautious statements it is nlessing to be able to be more upbeat...The trends in our markets are favourable and I for its products had improved am confident that the group recently as the recovery spread

will perform strongly in the

Mr Peter Williams, chief executive, said Spicers wholesaling in the UK had turned in an excellent performance, producing operating profits of £15.8m on sales of £242.5m, and showing growth of 9.5 per cent in a recovering market.

Spicers UK and Irish man-ufacturing operations were adversely affected by low market prices, but a gradual improvement was expected in the coming year.
In packaging and paper, total

sales were £540m, up 4.1 per cent. Operating profit slipped to £37m, down 2.9 per cent from the previous year, reflecting a fall in margins from 7.3 to 6.8 per cent. The group said the markets across Europe, bringing reasonable growth in most areas. Packaging paper markets staged a particularly robust recovery with good growth in demand and significant price

increases. However, paper-making margins had not reflected the full benefit due to a rapid escalation in waste Similarly, although the group's packaging operations were generally enjoying better

volumes, they were faced with the problem of passing on the cost of large paper price increases to their customers. Gearing fell from 57 per cent to 37 per cent. Earnings per share increased by 17 per cent to 25.2p (21.6p). A final dividend of 8p gives a total of 10.75p (10p), an increase of 7.5

Junk food odds on to console the betting person

By David Wighton

'A tenner each way and a double cheeseburger." could be the order of the day at Britain's betting shops following the government's decision to ease restrictions which have governed the industry for 33

All the main chains welcomed the announcement by Mr Michael Howard, the bome secretary, which will allow clear glass shopfronts, larger television screens and a wider

range of food.
Ladbrokes, which has 1,900 betting shops, said it would "significantly increase" investment in refurbishment to £75m over the next three years to take advantage of the

William Hill, the 1,800strong chain owned by Brent Walker, said it would continue

to invest about £8m a year. Mr Chris Bell, deputy managing director of Ladbrokes. said: "It is indicrous that the public have not been able to see that the interior of a betting shop is far removed from the traditional image, or buy a snack other than crisps or con-fectionery when inside." The rules, which date back

to 1961 when off-course betting was legalised, were designed to limit the attraction of betting shops to the young and impressionable.
The industry has lobbled hard for their removal, particularly in the force of the control of the con in the face of competition from the National Lottery. Coral, the 700-shop chain

owned by Bass, said the most important change was to allow ordinary shopfronts. "It will demystify betting shops and help attract people who have not been in one before."

Oceonics Group, the Norfolk-based survey services group, reported a slide into pre-tax

losses of £1.28m in the year

There were profits of £1.61m last time, restated for FRS 3.

The company said the oper-

ating environment continued

to worsen in the second half,

particularly in the North Sea.

It had also suffered a slowing in business in Nigeria since

December because of the politi-

However, new orders had been won in South Africa, and

a new base established in Cape

Current trading remained

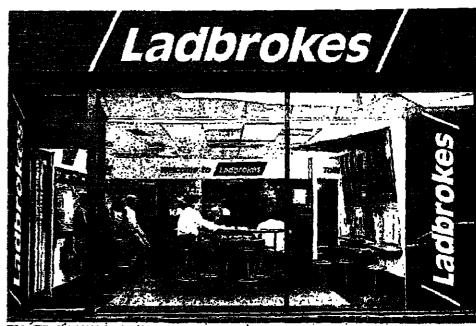
Town, directors said.

Oceonics

falls to

ended March 31.

cal climate.



Ladbrokes' new shopfront: no longer a case of through the glass darkly

Bookmakers have known changes were likely for over a year and have ensured that shops refurbished recently could be adapted quickly. "We will be putting in new shop-fronts as soon as the law is changed early next year," said

By Caroline Southey

tion of £12m.

Copyright Promotions Group,

best known for handling the

marketing rights to cartoon

characters such as the Flints-

tones, Captain Scarlet, Mr Men and Thunderbirds, is being floated via a placing and offer

giving it a market capitalisa-

It is being spun-off by Mosaic

Investments, the mini-con-

glomerate. Mosaic will receive

£3m in cash raised from the

placing and 3m shares worth

£3.5m at the placing price of 120p. The placing and offer is

fully underwritten by Charles

Stanley, a small London bro-

A total of 3m new shares, out

of a total of 10m, will be issued

of which half are subject to

clawback by existing Mosaic

shareholders on the basis of

one CPG share for every 29

Mosaic ordinary shares or 6.67

Mosaic will retain a 30 per

cent shareholding. Four mem-

bers of CPG's management.

including the company's co-

founders Mr David Cardwell,

chief executive, and Mr Rich-

preference shares.

Ladbrokes has already shops and fitted one out as a

Betting shops will be allowed to display race and betting information in their windows and provide larger television screens, currently

Promotions £12m price tag

will hold a 40 per cent stake.

chairman, will serve as a non-

executive chairman and Ms

Sue Ball, Mosaic's finance

director, has been appointed

Mr Cardwell said the listing

would increase the profile of

CPG and improve its market position in the UK. CPG is also

involved in advertising consul-

tancy and character costume

Mr Williams said the under-lying value of CPG was not

fully reflected in Mosaic's mar-

ket capitalisation and the flota-

tion would increase share-

holder value. He added that CPG's perfor-

mance had been overshadowed

by difficulties at Mosaic, which

is engaged in licensing and

design, display products and

specialist packaging.

Mosaic will set aside £1m of

the £3m cash payment from

CPG to indemnify CPG against

development costs incurred by

ELG, its European joint ven-

ture, and has also granted CPG

a £750,000 two-year, interest-

manufacture.

part-time finance director.

Mr David Williams, Mosaic's

Flotation gives Copyright

restricted to 30 inches. They will be able to offer "hand-held" food, such as burgers and chips, but the ban on alcohol will remain. Mr Howard has made clear that the betting shops becoming "gen-

ates more than 50 per cent of

CPG's turnover. It receives

commission on gross royalty

maker between character licen-

sors and licensees such as

manufacturers and retailers

like Marks and Spencer, Tesco.

Mothercare, Burton and Pizza

Mr Cardwell said future

earnings potential was under-

pinned by income from

long-standing "classic charac-

ters" although it would be

influenced by revenue from

The company expects income

to be boosted in the coming

year by royalties from the

Flintstones following this

week's release of Steven Spiel-

berg's film of the famous

American cartoon characters.

The company's costs were

low, he said, with no stock and

In the year to April 30, CPG

Dealings in the shares are

expected to begin on August

reported pre-tax profits of £567,000 (£212,000) on turnover

new "hot characters".

75 employees.

of £4.95m (£4.07m).

Hollas restructuring starts to pay off

By Tim Burt

Hollas, the Manchester-based clothing and textiles group, yesterday announced details of its restructuring programme aimed at transforming the company into a

broadly-based garment supplier.

The group, which acquired clothing companies JB Hunter and Textilion in March following an £18.3m rights issue, said it was pursuing "significant opportu-nities" among both high street retailers and industrial customers.

The strategy follows the appointment last autumn of Mr Julian Lee as chief executive, who yesterday announced pre-tax profits of £165,000 for the year to

sharp advance to £3m

McKay shares jump on

Shares in McKay Securities

rose 16p to 187p yesterday as

the property investor and

developer reported doubled

pre-tax profits for the year to

The profits increase - up

Dowding &

Mills \$1.7m

Dowding & Mills, the electrical and mechanical services group, has acquired Apparatus Sales and Service, based in Salt Lake

City, Utah, for \$1.7m (£1.11m).

The company rewinds and

In 1993 Apparatus broke

repairs electric motors.

even on turnover of \$2.1m.

Scottish American

Scottish American Investment

increase in net revenue from

£3.84m to £4.55m for the half

£10.3m for the full year to the

The figures compared with

year to end-June.

announced an 18 per cent

acquisition

end-March.

March 31 against restated losses of £7.3m. The 1993 figures were readjusted under FRS 3 to take account of £7.9m of goodwill written off on the 1989 acquisition of Hawkshead, the 50 per cent-owned mail

order company.

Mr Lee said the small profit last year was due entirely to contributions by Gardiner, the clothing import business. Turnover, however, fell slightly from £44.3m to £43.8m and Mr Lee warned: "This company would have been dead within three years if it had remained an

Operating profits fell from £1.02m to £756,000, although Mr Lee said there would have been an increase had the company year.

not made a \$280,000 compensation pay ment to Mr Tony Lawson, who stepped £1.3m loss down as chief executive to become non-executive chairman.

In other management changes, Mr Roger Wallwork, finance director for more than 20 years, has been replaced by Mr Paul Baddiley. Mr Jaymin Trivedi has left the board to concentrate on Gardiner Trading, the group's Hong Kong associate; and Mr Robert Jackson, a former director at Charterhouse Tilney, has joined as direc-

tor responsible for corporate development. Although losses per share fell from a restated 12.28p to 0.12p, the final dividend is cut to 0.3p, making 0.6p (1.2p) for the

Reorganisation costs

Gross rental income was marginally down from £8.96m to £8.39m as were service charges, which amounted to £1.6m (£1.88m). Income from investment properties also fell,

from £1.5m to £3m - was helped by a reduced interest with FRS 3. charge of £2.57m, against £3.89m, and benefited from the absence of one-off charges last year's figure included £686,000 of refinancing costs.

to date.

de Morgan

from £7m to £6.49m. Comparatives were restated to comply

Earnings per share emerged at 10.7p (4.2p) and a recommended final dividend of 3.1p raises the total for the year to

Net asset value per share

Earnings per share came out at 2.03p (1.72p). A second interim dividend of 1.2p is

declared, making 2.39p (2.29p)

Directors of de Morgan Group,

the commercial and industrial

property advisory company, said yesterday that discussions

concerning a "substantial"

acquisition had been termi-

A fund raising exercise is under consideration to satisfy

future development and to

meet professional and other

costs of the aborted purchase.

Ramco Energy, the USM-

quoted energy services com-pany, has placed 910,000 ordi-

Ramco Energy

rose from 163,1p to 175p.

ing market.

lower at £5.2m (£5.27m). Units sold fell by 3.3 per cent despite units offered rising by 13.3 per cent, resulting in higher operating costs. Action has been taken and April saw an increase in units sold.

Interest payable fell by

was to delay the posting of its

Emap will take a full part in

the review, which is expected to be heard on July 27.

The company will, subject to

any ruling by the Takeover

Panel, post its offer document

to Trans World shareholders

within seven business days

after the judgment is given or

by August 8, whichever is the

0.5 7.3 0.8 3.5 1.15

7.25

Total for year

0.8 5.2

10.75

profits).

£144.2m. however income was

Oct 3

Oct 3 Sept 15 Oct 3

Oct 3

£46,000 to £143,000. Losses per share came out at 3.1p (earnings 1.81p) and the interim dividend is halved to

push CMA into red

Reorganisation costs and asset write-downs totalling £505,000 left Central Motor Auctions with pre-tax losses of £420,000 for the six months to April 30, against profits of £347,000.

The USM-quoted company is involved in running auction centres. It is being refocused to provide further services to the vehicle disposal and remarket-

Auction proceeds were higher at £152.1m, against

nary shares with UK and US

Shares in the Aberdeen-

135p, a 4.2 per cent discount to

In view of the judicial review

being sought by Guardian Media Group concerning

Central Motor §int Coletax & Fowlerfin

Smith (David S)fin

DIVIDENDS ANNOUNCED

8

Dividends shown pence per share net except where otherwise stated. Increased capital, §USM stock. ★Second interim making 2.39p to date.

Tuesday's close of 141p. The company said proceeds would be used to reduce group

based company were placed at offer document.

institutions.

borrowings.

Emap

difficult and operating losses continued, they added, although action had been taken to maintain overheads at an appropriate level. They looked forward to a better trading environment in 1995.

Turnover slipped to £24.1m (£30.7m) and operating losses mounted to £1.29m (£2.23m Losses per share emerged at

share dividend.

.6p (0.2p earnings). The second tranche of dividend arrears relating to the preference shares redeemed last year is being delayed and Emap's offer for Trans World | the company is unable to pay Communications, Emap said it | the convertible preference

Beauford capital reconstruction

Beauford, the engineering and ceramics group, said the High Court had confirmed the reduction of its share premium account by £4.5m and a £3.56m reduction in its share capital to

Accordingly, the negative balance on the profit and loss account had been eliminated and the company would be able to pay dividends on any

future profits. Beauford cut its pre-tax

£20.4m (£20m).

loss from £26.4m to £7.43m in Operating profits were

to the black with £1m

Restructured Mosaic returns

products and specialist packaging group, returned to the black with pre-tax profits of £1m for the year to April 30, writes Caroline Southey.

Last time there were losses of £14.8m, restated for FRS 3. The company also announced the separate listing of Copyright Promotions Group, its wholly owned sub-sidiary in which it will retain a 30 per cent holding.

Mosaic's sales fell from £31.2m to £21.4m, although turnover from continuing operations rose marginally to

Mosaic Investments, the £1.51m (£1.47m), including licensing and design display losses of £100,000 (£460,000) from discontinued activities The pre-tax result last time

uring charges of £15.4m. Mr David Williams, founder and chairman, who returned to Mosaic in February after leaving in 1991 following boardroom disagreements. said the results "demonstrated that Mosaic has returned to a

position of financial stability". He said the flotation of CPG was the beginning of his strat-egy to refocus the company and shareholders should

expect the process to continue. Mosaic's shares were suspended between September

was after exceptional restruct-Mr Williams said the relist-

ing had been achieved by the disposal of lossmaking activities, the arrangement of new banking facilities to provide adequate working capital and the settlement of obligations relating to deferred consider-

1992 and May 1993 because it

could not raise sufficient funds

A further boost came from Montagu Private Equity Investments subscribing to a preference share issue in Feb-

Earnings per share were 0.78p (91.42p losses). There is again no dividend.

FINANCIAL TIMES

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Kommuninvest I Sverige AB U.S. \$100,000,000 Floating Rate Notes due 1998 or the Interest Period 20th July, 1994 to 20th October, 1994 the Notes will carry a Rate of Interest of 4%% per annum, the Interest Amount payable per U.S. \$5,000 Note rill be U.S.\$63.09, and for he U.S. \$100,000 Note will be U.S.\$1,261.81, payable 20th October, 1994. Benkers Trust

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FINANCIAL TIMES

RESULTS

RESULTS IN BRIEF

1993 £'000

TURNOVER PROFIT BEFORE TAX **EARNINGS PER SHARE** (fully diluted) ORDINARY DIVIDENDS

32,356 2,607 9.6p 5.7p

- The profit showed a modest improvement compared to 1992. The dividend is being maintained on the capital increased by the recent Rights Issue.
- Our two newly built hotels in Cardiff and Loughborough have been well received and together with the acquisition of the 90 room Climat Hotel in Manchester they significantly expand our geographical coverage of the UK. In April the 154 room re-named Friendly Hotel in Taastrup, Greater Copenhagen was acquired.
- The Group now operates 27 hotels with over 2,800 rooms and 18 serviced office
- Having safely and successfully weathered the recessionary years, we are looking to the future with confidence.

'It pays to stay Friendly'

For a copy of the latest Report and Accounts please apply to the Secretary, Friendly Hotels PLC, Premier House, 10 Greycoat Place, London SW1P 1SB.

Eve static following interest income setback

By Tim Burt

Eve Group, the USM-quoted civil engineering group, blamed sluggish trading conditions in the construction industry for a flat performance in the year to March 31.

Pre-tax profits fell slightly from £4.15m to £3.9m despite a 16 per cent increase in turnover to £61.6m (£53m).

Mr Peter Adams, finance director, said the decline was exacerbated by a sharp fall in interest earned on the group's deposit funds, which fell from £487,000 to £181,000.

Although operating profits were virtually unchanged at £3.68m (£3.66m), he claimed it was "a creditable performance given the battering the industry has taken during the reces-

The shares, however, fell 25p

Gross margins declined from 8.6 per cent to 7.5 per cent and profits in contracting - the largest of the company's three business sectors - fell from £3.95m to £3.85m. Mr Graham Foster, manag-

ing director, hinted that the results would have been worse had it not been for increased sion, which designs and manufactures overhead power line systems and communication towers, it had won a number of contracts for the National Grid network and had opportunities to win orders in France and italy, he added

Mr Foster also hailed an improved contribution from Trakway, the portable road and walkway division, which increased profits from £1.21m

to £1.34m. Losses in the property devel-opment division, meanwhile, were cut from £576,000 to £390,000 although the company warned that activity remained

Barnings per share fell from 27.4p to 25.4p.

While expressing disappointment at the pace of recovery in the construction industry, Mr Foster said the company was confident enough about future prospects to recommend an increased final dividend of 8p, making a total of 11p (10p) for

Colefax consolidates recovery

By Graham Deller

Steadily improving conditions in the UK and the US helped Colefax & Fowler Group to consolidate on the return to profit shown at the interim stage.

During the 12 months to April 30, the wallpaper and furnishing fabrics manufacturer swung from losses of £396,000 to pre-tax profits of £331,000, struck after an exceptional charge of £211,000 following the disposal of a freehold warehouse in New Jersey. The group had returned to the black at half way with a modest profit of £50,000 (losses of £192,000).

Overali sales rose 22 per cent, from £28.8m to £35.2m Turnover in the product division rose by 10 per cent. Trade sales expanded by 15 per cent in the UK, by 25 per cent in Europe and by 48 per cent in the rest of the world, excluding the US. Retail sales, however,

remained difficult and dipped

by 10 per cent. Turnover in the US showed an 8 per cent increase in dollar - the first material growth since 1991, according to Mr David Green, chief executive, reflecting a showroom refurbishment programme and slightly improved market con-

The group's decorating division had had an "exceptional year", Mr Green said, with turnover ahead 75 per cent; this, in turn, had a beneficial impact on antique sales which rose by 41 per cent.

Kingcome Sofas, the upholstered furniture operation, lifted turnover by 9 per cent following increased factory efficiencies and improved trade demand, which is continuing into the current year, he said. Gearing at the year end was 33 per cent (40 per cent).

maintained total of 1p.

Earnings emerged at 0.8p. against losses of 1.05p; the final dividend is held at 0.5p for a

Taking a leaf from the car industry's book

David Blackwell on Aerostructures Hamble's new approach to making aircraft parts

In the 1930s the slipway at reflects the many changes trating on statistical process Aerostructures Hamble undergone by the British aero-control, known as SPC, which was used to launch seaplanes; in the 1990s it is being used to dispatch the cargo door

of a single transport plane. The door, built for the cargo aircraft used to ferry sections of Airbus airliners to Toulouse for final assembly, measures 8 metres by 8 metres by 8 metres and weighs 2.5 tonnes. That is far too big to take down the lane through Hamble without removing power lines and other obstacles.

The Hampshire-based aircraft components maker completed the first of four doors late last year, 18 months after the initial order. It was taken down Southampton Water by barge, across the Channel and floated up the Dordogne river.

The people in 30 villages en route to the final destination of Toulouse were not so lucky as the Hamble villagers. They had to take down their Christmas decorations to let the load past. Work on the next cargo door has started on the enormous and robust jigs built specially for the job.

Mr Howard Wyman. operations director, believes the speed of execution of the order and its delivery on time - "totally foreign to the aircraft industry" - reflects the company's fresh approach to managing an aircraft component manufacturer.

It is working hard to introduce Japanese techniques devised by car manufacturers, and stressed these new capabilities when it was floated on the stock market in May.

The company's history began, however, in 1936 and

space industry. As Folland it made the Midge and Gnat air-craft. Hawker Siddeley took it over in 1963; the aircraft manufacturing side was nationalised as part of the British Aircraft Corporation, which was privatised in 1979.

It became Aerostructures Hamble in 1989, when British Aerospace decided to make it more accountable as a profit centre. Mr Andy Barr, chief executive, joined from Rover Group and led a £46.7m management buy-out in 1990.

There are now 10 senior managers, including Mr Barr and Mr Wyman, who have come from Rover, where Japanese management techniques were the norm.

"You have got to get it right first time, like the Japanese carmakers do." said Mr Wyman. He believes that if the introduction of a product is correct, everything will run smoothly, whereas a false start will turn everything into an uphill battle.

A tour of the factories shows the group's continuing investment in new equipment. including riveting machinery, a large press, machine tools, and a world class aluminium finishing plant.

"We are upgrading our equipment," said Mr Barr in his office - a beautifully pro-portioned room with a high ceiling, decorated with birds and flowers, in a listed 1750s house guaranteed to impress potential customers. "But that's not very relevant to what we are doing.

(cents per share or stock unit):

- Beatrix

Grootvlei

Kinross

– Leslie

- Buffelsfontein

The company is also concen-

Final dividends were declared as follows

140

25

180

sets narrow parameters within which a component must fall. Under old methods, a part would be made and then measured to see if it fitted. But with SPC and computer technology 'you know it's going to come out right", explained Mr Wyman_

In order to get things right first time, the group approaches each new project through a multidisciplinary team with a manager who becomes the main contact with the customer. People are seconded from other parts of the 1,500 workforce, which has been divided into 12 "cells".

The manager sticks with the team right through the project, from the initial bid to the finished project.

While some of the team members might change, there is a consistent thread running through a project from initial conception to final delivery.
"The whole idea is to get a
seamless process," said Mr Wyman, in contrast with the old methods of passing a proj ect from one department to

The team's brief is to come up with a product which can be made repeatedly to tight quality and budgetary parameters. The process includes a presentation to the shop floor and a preliminary design review that can also involve the customer. "We want the considerable wisdom of the company involved in a project," said Mr Wyman, For a high technology indus-

try the method of showing

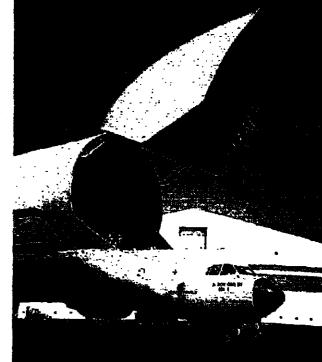
155

– Stilfontein

– St Helena

- Winkelhaak 130

– Unisel



Modern methods ensure that the component will be a perfect fit

progress with work in hand is very old - coloured pins and charts on a large board. A mass of blue pins clearly illustrates that things are going

Daily quality control meetings, detailed analysis of rejected goods, and a suggestions scheme in which 55 per cent of the staff have taken part, have all been introduced in the past few years. The group is also working towards scrapping its aluminium store, and relying on just in time delivery to specific parts of the

factory. Perhaps more novel is the logical reorganisation of the stock room, so that parts needed for a particular job are kept side by side on the

"Kitting" has been introduced, through which parts are dispatched to a customer in a carefully laid out package. Any part missing is immediately visible - a simple innovation that has revolutionised the traceability of orders and saved hours of argument.

The company claims nothing new in its management strategy, but it does claim its methods are new in the aircraft components industry. Mr Wyman gives the example of hourly reports - second nature to the car industry - which were introduced in the detail machine shop and doubled out-

put in two weeks. In the past three years margins have increased from 8.9 per cent to 11.3 per cent. The company's reliance on its former owner, BAe, which accounted for 93 per cent of its business in 1990 and 78 per cent last year, is expected to fall further this year.

It has been successful in getting new orders and now has an impressive blue chin customer base, including Boeing, McDonnell Douglas, Yought and Raytheon.

"We've got the strategies in place and we will get better. The techniques are well known but you need persistence,"
 said Mr Barr. "We are getting leaner all the time - but it gets tougher as you go on.'

Distributable income reduced by R29 million transition levy

Gold price received

-8% up on previous quarter - 23% up on June 1993 guarter

Working costs per kilogram increased by

- 5% on previous quarter - 15% on June 1993 quarter



SUMMARY OF GOLD MINING COMPANIES' RESULTS FOR THE QUARTER ENDED 30 JUNE 1994

mparry registration nurr			Co Ltd	Proprietary Mines Ltd		Mines Ltd	Orya Mine (A division of St. Helena)	Gold Mines	Stillentein Gold Mining Co Ltd	Unicel Gold Mines Ltd	Wintelhank Nikos Lud
	aber		06/33934/08	01/02089/06	63(06225)06	59/01/12/408		05/20742/58	05/33412/05	72/10884/05	55/03606/08
ued shares		Boatrix Mines Limited 94 000 000 ordinary	71 000 000 ordinary 15 289 000 com prei	11 436816 ordinary	18 000 000 ordinary	16 000 000 ardinery	Oryx Gold Holdings Limited 165 900 200 ordinary	9 625 000 criticary 3 825 035 "A" ours pref 3 825 035 "B" auto pref 2 465 000 "C" ours pref	13 062 920 ordinary	28 000 000 ardinery	12 193 000 ordinary
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eld (g/t)	Jun 94 Mar 94 Financial year	6,2 6,2 6,3	6,3 6,4 6,4	5,3 5,5 5,5	6,5 6,5 6,6	6,7 6,7 6,7	1,6 2,3 1,7	7,6 6,9 6,8	1,3 1,0 1,1	5,7 6,1 6,0	6.7 6.7 6.7
re milled xns)	Jun 94 Mar 94 Financial year	520 000 520 000 2 101 000	456 900 480 000 2 056 000	120 000 120 000 702 000	440 000 465 000 1 382 000	101 000 101 500 306 000	29 000 13 900 187 000	172 000 195 000 1 090 000	272 000 282 000 1 694 000	163 000 160 000 473 000	358 000 388 000 1 181 000
old price received (kg)	i Jun 94 Mar 94 Financial year	42 780 39 582 39 762	42 745 39 865 38 861	42 783 39 442 37 540	42 861 39 695 40 120	42 580 39 698 40 110	43 790 40 008 38 911	42 865 39 590 37 856	42 785 39 563 37 550	42 617 39 714 40 208	42 680 39 607 39 998
orking costs (R/kq	g) Jun 94 Mar 94 Financial year	24 165 24 207 23 327	38 253 35 761 33 376	36 480 34 074 33 329	27 125 25 249 25 493	33 633 29 975 30 521	Working costs are capitalised	32.889 31.799 31.665	24 198 32 232 30 435	35 470 33 076 33 845	34 664 31 638 32 301
nancial results	(R'000)										
orking revenue	Jun 94 Mar 94 Financial year	138 690 127 455 526 413	122 765 122 785 518 539	27 734 26 153 145 110	123 626 120 562 366 444	29 321 27 053 82 786	-	55 897 53 447 281 609	15 631 10 722 67 856	39 742 38 642 114 586	104 027 103 769 312 303
orking costs	Jun 94 Mar 94 Financial year	77 908 77 947 308 392	109 087 110 145 437 156	23 347 22 557 128 149	77 306 76 505 231 345	22,904 20,323 62,507	- -	42 722 42 928 234 794	8 784 8 735 54 479	32 987 32 183 96 358	\$3 298 \$2 316 249 849
endry income – n	et Jun 94 . Mar 94 Financial year	2 753 2 227 10 247	3 017 2 956 12 930	1 725 1 831 9 413	2 867 3 062 9 277	541 576 1 631	394 410 2 480	2 367 2 103 11 378	683 1 147 16 347	643 667 2 081	3 498 1 754 8 003
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x and lease	Jun 94 Mar 94 Financial year	21 956 11 596 65 252	1 173 (4 887) 23 153	2 282 1 075 6 842	28 506 20 690 70 385	5 203 3 124 10 281	=	14 242 7 892 47 129	5 364 5 364	3 190 1 291 4 481	9 813 10 220 · 33 489
pital expenditure coupments)	e/ Jun 94 Mar 94 Financial year	10 293 7 183 44 967	10 587 10 089 32 820	2 552 1 319 7 597	5 366 5 981 18 762	749 {864} 2 807	74 781 72 433 451 695	622 656 4.851	(1 273) (2 120) (8-224)	778 1776 6526	6 593 323 5 916
stributable come	Mar 94 Financial year	13 837 49 087	4 006 9 008 31 954	10 450	16 151 20 164 54 965	8772	= =	5 980 10 205 41 468	3 439 5 134 31 869		7 903 12 664 29 992
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<u>·</u>	re on or before	=						-	224 44 302 Oct 1994	-	-
pital expendits	mie										
timated for the xt six months	(R mill)	23,5	31,2	6,5	19,0	2,7	167,0	3.6	-	4,3	19,8
timated life of	crime production	п									
riekt (a/ti	1	52,1 5,9 305 9 806	6,7 7,1 47 1 513	6,6 5,5 36 1 184	31,0 6,2 193 6 218	3,1 6,0 19 804	Update pending additional reef development	6.2 7.5 48 1 489	No economical reserves	15,5 5,6 102 3 289	27,0 6,2 166 5 336
	Id produced Id produced Id produced Id (g/t) Id price received Id	rivard sales Indicate the sales of the sale	Id produced Jun 94 3 220 Mar 94 3 220 Financial year 13 220 Id (g/t)	Id produced Jum 94 3 224 2 852 3 200 3 080 Financial year 13 220 13 080 13 280 13 280 13 280 13 280 13 288 14 28	Id produced Mar 94 3 220 3 080 662	Mar 94 3 224 2 852 3400 662 3 (35)	International Internationa	March 19	### Americal presents ### Americal present ###	Section Compared Compared	## ## ## ## ## ## ## ## ## ## ## ## ##

1. Provision has been made for the 5% 3. All financial figures are unaudited.

2. The dividends declared are payable to registered at the close of business on 5 August 1994,

The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 2 September 1994, or the first day thereafter on which a rate of exchange is available. on which a rate of exchange is av

Dividend warrants will be posted on In the case of non-resident shareholders, the applicable taxation will be deducted.

The full conditions of payment may be inspected at or obtained from the Registered office.

By order of the respective boards

4. The companies are incorporated in the Republic of South Africa with financial year

Gencor SA Limited Secretaries per: T K Savage Senior Divisional Secretary Johannesburg, 19 July 1994

Registered office General Mining Bu 6 Hollard Street Gencor (U.K.) Limited 30 Ely Pisce London ECIN SUA thury 2001 (PO Box 61820, (Tal (071) 404-0873) Marshalltown 2107) (Tel (011) 378-9111)



76 000 (March 1994: 95 000) tons of surface material at a grade of 0,9 (March 1994: 1,0) grams per

Cumulative expenditure capitalised to date amounts to R1 925 million, inclusive of interest of R347 million. Please refer to the separate announcement published elsewhere in this newspaper dealing with the future funding of the mine.

Treatment of slimes by Free State Consolidated Gold Mines (Operations) Ltd yielded a profit of R4,6 million for the quarter, which is included under tribute and royalties.

Estimated life of mine production

A gold price equivalent to R42 500 per kilogram (R 1 322 per ounce) has been used in calculating the life of mine production estimates. These estimates are based on data which is continually reviewed and could change significantly with additional geological information. A summary of the assumptions used in the calculations will be incorporated in the annual reports for the financial year ended 30 June 1994.

Second-quarter drop for First Maryland Bancorp

First Maryland Bancorp, the wholly owned US subsidiary of \$9.4m, mainly reflecting a lower level of realised securifrom \$31m to \$28m (£18.4m) for the second quarter of 1994. For for bad debts. the half year, net income was

\$54.1m, against \$59.5m.

Net interest income in the three months was down by non-performing loans of \$83.6m \$2.3m because of a lower net interest margin while non-in- total loans.

a \$5.7m reduction in provision

Return on assets for the six months fell from 1.29 per cent to 1.13 per cent. At June 30 represented 1.59 per cent of ~

			Quota	loans*		
		مرتند د موتند بعد	rates		نبينة بسا	cates.
Tabus.		AST.	بالصادد		村	
]	-	-	5%	-	-	574
Over 1 up to 2	6	6	6%	616	6%	7
Over 2 up to 3	6%	6%	71/2	674	674	7%
Over 3 up to 4	7%	7%	8	7%	714	8₩
Over 4 up to 5	7%	71/2	8%	7%	7%	8%
Over 5 up to 6	7%	734	8%	7%	7%	81/2
Over 6 up to 7	7%	8	81/2	8	814	816
Over 7 up to 8	8	814	816	816	814	8%
Over 8 up to 9	8%	814	8%	814	8%	8%
Over 9 up to 10	814	834	81/2	834	8%	874
Over 10 up to 15	814	815	81/2	8%	8%	874
Over 15 up to 25	81/2	8½	814	8%	8%	876
Over 25	876	81/2	8%	87/	83%	8%

Notice to the holders of the outstanding

U.S. \$130,000,000 5%% Subordinated Bonds due 1994 U.S. \$200,000,000 Subordinated Floating Rate Notes due 1994 U.S. \$150,000,000 Subordinated Floating Rate Notes due 1995 bordinated Fixed/Floa U.S. \$100,000,000 Subordinated Floating Rate Notes due 2003 (logether the "Securities")

Banesto Finance Ltd.

NOTICE IS HEREBY GIVEN to the holders of the Securities that with effect from 14th July, 1994, the terms and conditions of the Securities have been modified by the deteition of the provisions for the deferral of payments of interest or the Securities if the most recently published profit and loss account of Banco Español de Credito, S.A. (the "Bank") for a financial year. does not show a Profit (as defined in the terms and conditions of the Securities). Accordingly, the Issuer is now obliged to pay interest on the Securities on the dates provided in the respective terms and conditions, even if the most recently published profit and loss account of the Bank for a

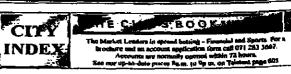
linancial year does not show a Prolit.
Copies of the Supplemental Trust Deeds effecting such modifications and
certain consequential modifications are available for inspection at the
specified offices of the Paying Agents for the respective Securities.

Banesto Finance Ltd.

£200,000,000 MFC Finance No. 1 PLC NOTICE OF REDEMPTION Series 'A' to 'F' Mortgage Backed Floating Rate Notes Date October 2023 lotice is hereby given, that in accordance with Conditions 5(c) of the 1 13th October 1988, the lesuer intends to rade 2,400,000 in aggregate value of the Notes on the respective August 1994 Interest payment dates. By: Citibank, N.A. (Insuer Services) July 21, 1994, Landon



CITIBANO





Finance; the economy; the health service and the

rush for new homes Page II

FINANCIAL TIMES SURVEY

ALBANIA

Adriatic's unpolished jewel awaits tourism; freedom for farmers; investors Page III

Thursday July 21 1994

The secret country opens its doors

After the collapse of Europe's most repressive Stalinist regime, Anthony Robinson and Laura Silber examine Albania's first steps in freedom

After 50 lost years as one of the most isolated countries in the world, Albania has re-emerged over the last three years with a strong desire to rebuild its conomy and shattered society.

4.34 - + 1.349

idusury's book

Like other post-communist states it also seeks to re-integrate into Europe while playing a more active role in the volatile Balkan region where millions of ethnic Alba-nian live across the border in Kosovo, Macedonia and Monte-

Much progress has been made since 1990-91 when this small, mainly mountainous country of 3.2m people was on the verge of anarchy while the hated secret police of the dying communist regime installed by Enver Hoxha in 1945 sought vainly to forestall its collapse.

Wild rumours swept the country as thousands of des perate young people clambered on to ancient boats or slipped across the frontiers by mountain tracks to seek a new life in a wider world known only by listening to forbidden foreign radio and TV programmes.

Italy, just across the Adri-atic, was most fearful of incipient civil war and of destabilising waves of immigrants and hastily put together an emer-gency relief programme. For 18 months the Italian army delivered food and other aid throughout a country whose invasion by Mussolini's troops in 1939 marked one of the least glorious chapters in Italo-Alba-

It was a great success. The exodus was halted, but not before more than 300,000 people, mainly young work seekers, had found some form of refuge and employment

Three years later these emigrants have become the mainstay of an economy kept affoat by a cocktail of remittances and foreign aid.

Emigrant remittances totalled \$330m last year, com-pared with the \$300m received in foreign aid, although



Albania would have been in dire straits without the nearly \$1.5bn in food aid, grants and low interest loans which governments and international institutions poured in over the last three years, and which they have pledged to continue at a rate of around \$300m annually until 1996.

Stability started to return after the general elections of March 1992. Western governments, the EU Phare programme, international financial and other institutions moved in with technical assistance and financial support for President Sali Berisha and the

Democratic Party-led coalition government. The coalition emerged from elections with an absolute majority and a programme for completing free market reforms begun by the interim government under the aegis of economists Mr Gramoz Pashko and Mr Genc Ruli, both of whom are now out of gov-

The army and secret police were purged but the inherited administrative organs remain ill-equipped to provide the services demanded of a modern

The democratic credentials of Albania, meanwhile, will not



racy and stability will best be

guaranteed by sustained eco-

nomic growth and the avoid-

ance of conflict over the status

of ethnic Albanians in the

neighbouring former Yugoslav

states and tension with Greece

over the status of ethnic

Greeks in the southern part of

Western embassies in partic-

ular stress that Albania's con-

tinuing access to western cred-

its and investment reflect its

strategic importance and

require Tirana to play a con-

structive and cautious role in

ethnic Greek as well as Alba-

Greece and Turkey.

be fully recognised until a new constitution and new civil and legal codes are introduced to replace the amended versions of the old Hoxha-era docu-

ments still in force. All three are expected to be finalised this year although the constitution requires a two thirds majority in the parliament which currently eludes the government led by prime minister Alexander Meksi.

Albania, which achieved independence from Turkey after the third Balkan War in 1912, has no real democratic tradition and the 50 year totalitarian dictatorship established by Enver Hoxha destroyed the economic and social basis which would normally have given rise to a middle class. Under these circumstances. politics tend to be highly personalised while institutional and legal guarantees are weak and often unenforceable.

Strengthening the social, economic and above all legal underpinnings of Albania's fledgling democracy will take time and imposes a steep learning curve on both the government parties and the opposi-tion. The latter is headed by the socialist party successor to the communists whose most capable leader, Mr Fatos Nano,

Albanians, from the presi-

dent down, constantly repeat nian and other minorities and that "changing the mentality of people is the hardest task" where Bulgaria, Greece and Turkey all have competing his-

> Diverting Albanian energies into economic reconstruction and the acquisition of modest wealth is seen by western embassies and institutions as a key to national and regional Progress to date is encourag-

ing. The first economic reforms were dictated by necessity. Most of the large, heavily polluting and loss making factories built with obsolete technology by Soviet and later Chinese technicians in the 1960s and 1970s have been closed and the hated collective and state farms have been abolished.

support of regional stability. The over-riding imperative of the US and EU governments is At first unemployment to prevent conflict between the soared in urban areas while in two regional Nato states country districts, where 65 per cent of the population live, col-Albanian politicians can help lective farm buildings were by calling on the Albanian looted, machinery was broken diaspora to show patience and and trees were cut down for moderation, especially in Kosovo and Macedonia which has fuel. Unemployment is still officially around 30 per cent of the non-farm workforce and

poverty, although not hunger. remains widespread.

But the abolition in May 1992 of unemployment pay at 80 per cent of previous salary, introduced by the last communist regime to ease the pain of plant closures, forced the jobless to find new employment. Thanks mainly to emigrant remittances and the abolition of all restrictions on foreign exchange dealing and foreign trade, thousands rapidly found employment in a fast growing private trading sector.

The service sector as a whole provided only 12 per cent of employment under the old regime with its heavy bias towards heavy industry and collectivised agriculture. It is now expanding fast as deregu-lation, privatisation and the abolition of subsidies have combined with emigrant remittances to create fast rising disposal incomes.

The highly visible result is a frenetic demand for all sorts of consumer imports - from luxury foods to televisions, satellite dishes and second hand cars. This demand-led economy has created new jobs in retail ing, storage, transport and other services.

At the same time de-collectivisation created 400,000 new peasant farmers able to feed themselves and freed from the onerous restrictions which for decades had prevented private citizens from even raising chickens or other livestock. Last year food output rose by at least 15 per cent and food imports plummeted 50 per

lisation achieved by 1993, policy makers are now moving ahead to tackle the structural deficiencies which must be removed if the state as a whole is to be modernised and Albania's resources fully used. These resources are substantial. Albania boasts the third largest deposits of chromium in the world after South Africa and Kazakhstan, and related

With macro-economic stabi-

deposits of copper and other non-ferrous metals. Most of the mines, operated for decades by prison labour, are currently The country also has exten-

sive onshore and offshore oil and gas deposits, although the former have been badly exploited by ancient technology for over half a century and the latter are not yet proven in commercial quantities. Canadian Occidental, Agip of Italy and Premier Oil of the UK are among foreign oil companies currently scarching for viable deposits.

Above all, decades o enforced isolation have left Albania with more than 320 kms of virgin coastline suitable for the development of high quality tourism, and a wealth of hardly visited Greek, Roman and Byzantine archeological sites and "museum cities" such as Gjirokastro.

Exploiting these resources in profitable and ecologically satisfactory way will require heavy investment over many years, not just in specific projects but above all in the associated infrastructure required to underpin the modern, market-oriented economy on which Albanians are setting their sights by the end of the cen-

Interview: PRESIDENT SALI BERISHA

A navigator in the stormy Balkans

For President Sali Berisha, the cardiologist who led his Democratic Party to a landslide victory in March 1992, the end of isolation coupled with price, for-eign exchange and trade liberalisation and the abolition of collective farms, has transformed Albania's prospects.

"Isolating Albania was the greatest crime committed by Enver Hoxha, the former dictator. At least the other communist countries had more or less open borders with each other and trade and diplomatic relations with the outside world. Albania had virtually nothing. Hoxha was the only European leader who did not even sign the Helsinki Final Acts [the east-west European security pact],"

But after decades under a brutal and obscurantist regime Albania is now in the hands of a younger generation determined to integrate the country into the European mainstream. "We are having to learn, apply new ideas and implement them all at the same time," he says.

The experience of the last two years has made him an impassioned supporter of the fast-track approach to economic reform. "Shock therapy is a bitter pill, but it is a brilliant invention. We have been prepared to sacrifice popularity by pressing ahead with reforms. The hardest of all was the decision in July last year to liberalise bread prices three days before local elections. We lost votes, but since then we have not had to worry about the arrival of grain shipments from abroad and the granaries are full," he says.

"We are still the poorest country in Europe, but GDP grew by over 10 per cent last year, personal consumption has donbled, inflation has dropped from 400 per cent to around 30 per cent and savings have risen too." he adds.

His figures may be a bit rough and ready. But the evidence of well stocked markets, busy fields, bustling streets and new cases backs up the president's claim of sharply rising living standards after decades of hunger and poverty.

The state of contemporary Albania is a far cry from the desperate days of 1990 when the feared Sigurimi secret police are believed to have encouraged an orgy of looting and destruction and thousands of Would-be refugees invaded embassies and clambered on to ships leaving the coun-

But critics of Mr Berisha and the goverument he closely controls accuse him of gathering too much power in his own hands and of building a new security force to replace the Signrimi. He is also accused of mounting political trials



against leaders of the former regime. Critics cite the case of Mr Fatos Nano, the former prime minister and probably the most competent politician in the opposition socialist party who is now serving a nine year sentence on charges of embezzlement of Italian aid funds.

There is a greater consensus about the trials of other former regime figures. Mr Ramiz Alia, the handpicked successor to Mr Hoxha, received a nine year jail sentence earlier this month after he and eight other former senior politicians were judged guilty of violating their own laws and shooting dead Albanian citizens trying to flee the country.

"I don't like trials but I'm certainly following the Alia trial," Berisha said two weeks before the verdict was announced. "More than 100 people were shot and killed during the transition period alone. I see these trials as necessary to prevent a wave of revenge sweeping the country.

"What has impressed me most is that none of the old regime leaders on trial has ever uttered a word of regret. Even if you exclude all their other crimes they were responsible for burying half of Albania under thousands of concrete pill-boxes that consumed the sweat and resources of Albanians," the president added.

Mr Berisha is a Moslem from the moun-

tainous north east of a country, a region with a long history of blood fends and intense personal rivalries. After two years as the first post-communist president of Albania, he retains substantial political support. A tall, imposing figure he has gained in experience and confidence both

domestically and on his foreign travels. Diplomats concerned with stability in the volatile Balkan region appreciate what they see as his growing understanding of the need for cautious diplomacy. Domestic political critics, however,

including some who launched the opposition movement with him but split from the Democratic Party shortly after the March 1992 elections, criticise what they see as autocratic tendencies and a desire to control all aspects of government. Foreign investors, frustrated by delays and corruption in a still largely inherited administration, tend to seek an audience at the presidential palace when they need to cut through bureaucratic knots.

Mr Berisha rejects charges that he runs an essentially authoritarian system and is seeking to establish a presidential republic. "We had a one man system for 50 years. We need time to promote and develop a parliamentary tradition here," he says, blaming opposition parties for delays in introducing a new constitution with copious civil rights protection writ-

But navigating successfully through the treacherous shoals of Balkan foreign polities is as important for the new democracy as defusing internal tensions. With almost as many ethnic Albanians living in neighbouring Kosovo, Macedonia and Montenegro as within the borders of Albania itself, many Albanians are torn between the desire to support their kith and kin and a growing awareness that borders cannot be changed without war. This realisation has been heightened by the war in Bosnia and the pro-consular

The president dismisses accusations that Albania is seeking to create a 'greater Albania" similar to the efforts of Serbia's Slobodan Milosevic to create a greater Serbia. "Albania's concept is very clear. All we are seeking is a democratic space for Albanians wherever they are. That means democratic institutions and elections. A solution cannot be achieved by forcibly changing borders. But better trade and economic co-operation could be a big element in improving relations, says the president.

He recently returned from a successful visit to Macedonia where he and president Kiro Gligorov discussed improved rail and road links to help Macedonia overcome the embargo imposed by Greece on tts southern borders.

After months of bad-tempered exchanges with Greece over a border incident in which two Albanian soldiers were killed in April, President Berisha is looking forward to closer relations with Europe and progress on the country's desired EU association agreement now

that Germany rather than Greece occu-pies the EU presidential chair.

"Albanians are growing in self-confidence and a sense of responsibility. We know that our future lies in Europe, with European style laws and democracy and a dynamic market economy," he concludes.

Anthony Robinson, Laura Silber

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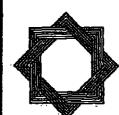
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ALBANIA II

fter the collapse of the old regime the new democratically elected government urgently needed to find young Albanians capable of understanding and working with foreign governments and the international institutions willing to help to rebuild the state apparatus, banks and other bodies.

A prime example of this new technocratic elite is Mr Kris Luniku, the 32 year old deputy governor of the National Bank of Albania with overall responsibility for monetary policy. (The bank itself enjoys formal independence modelled on that of the German Bundesbank.)

After graduating in economy and finance from Tirana University in 1986, Mr Luniku joined the state bank three years later, starting with a stint in the mountainous north east. There followed several months secondment to German banks where he received training in government securities and stock exchange practice before going to the IMF in 1991 for a crash course in financial programming and

medium term adjustment processes.

The courteous and slightly shy young banker recalls the first awesome days in spread out to apply their skills in six new

Youth takes the helm

BANKING AND FINANCE

1992 when he and two colleagues took responsibility for introducing monetary policy to the bank. "Nobody really knew what the relationship was between interest rates and inflation, what the instruments of monetary policy were, or how a central bank functioned," he confesses.

"We had to be cautious, define our goals and then monitor our progress. We knew we just could not afford to make mistakes." After its modest start, however, the new team quickly expanded with the recruitment of young, multilingual people with an academic grasp of macro-economics who were eager to learn more.

Under the overall supervision of the governor, Mr Dylber Vrioni, a former engineer and erstwhile chairman of the ruling Democratic Party, the young technocrats get, monetary policy, balance of payments, macro-economic analysis, statistics and financial operations and instruments.

n July, the bank took responsibility for controlling liquidity through open market operations connected with the first issue of treasury bills. "We are trying to become more efficient by switching to indirect instruments with credit ceilings for the private and government sectors and reserve and liquidity requirements for the banking system," Mr Luniku says.

Until now the central bank has financed the government deficit. But the treasury bill auctions in July will be open to individuals and private companies. The aim is to spread the load and control the excess reserves of the banking system. Interest

divisions of the bank dealing with the bud-rates on deposits are now positive after the recent slide in inflation.

Reform of the financial system really began with liberalisation of the foreign exchange market, at a time when reserves were practically non-existent. It proved a great success and the Lek appreciated against a basket of foreign currencies by around 25 per cent last year thanks to emigré remittances and foreign aid

Proof of the free exchange market can he seen in the hordes of licensed money changers with wads of notes in hand who congregate perfectly legally in front of the central bank building offering a slight discount on officially announced rates.

Development of an inter-bank money market is now the main element in the drive to make the banking system an efficient conduit for investment



Deputy governor Kris Lunikuz one of the new technocrats Picture: Anthony Robinson

The task of reform began two years ago when a two tier banking system was created by the new Central Bank Law, which established a Bundesbank-type indepen-dent central bank, and the Commercial Banking Law of April 1992 which hived off

three commercial banks from the formerly monolithic state bank.

The balance shocts of the three state owned commercial banks, the National Commercial Bank of Albania (NCBA), the Savines Bank and the Rural Commercial Bank, have been partially cleared of their nearly Lek5bn bad debt after the government issued Lek2.7bn in interest bearing bonds, which are negotiable and tradeable.

But the banking system remains weak and slow. The key to future development lies in creating new bankers. The World Bank and the EBRD are funding a 25 week course at Tirana university to train bankers in risk analysis and the like. Two joint venture banks with full banking licences have been set up in the capital.

These are the Italian-Albanian bank, a joint venture of the NCBA and Banca di Roma, and the Arab Albanian Islamic bank whose shareholders are the NCBA and the Arab Islamic Bank of Bahrain. One fully foreign-owned bank, the Dardania bank, has been formed with capital from Kosovo and Albanians abroad.

Anthony Robinson

lbania's transformation from a closed economy of the absurd to an open economy of frenetic consumerism within three years has taken everybody by surprise, writes ANTHONY ROBINSON.

The International Monetary Fund, no stranger to economic turnarounds, eulogises an "economic miracle" which gave Albania an estimated 11 per cent GDP growth last year, the sort of dynamic usually seen only in Asia and Albania's old mentor, China.

Mr Gramoz Pashko, one of Albania's most prominent academic economists and deputy prime minister in charge of economic reform in the interim "stability government" of 1991, puts events in proportion with the observation that "even a clod of earth looks like a mountain on a flat plain".

His remark is not a denial of Albania's leap forward over the last two years but a reminder that between 1989 and 1992 liberalisation of the economy and the shift to tight IMF-monitored monetary and fiscal policies was preceded by an unprecedently drastic elimination of big loss making enterprises and dramatic falls in industrial output.

All the post-communist countries have undergone some degree of "constructive destruction" following the col-lapse of Comecon trade and the shift to market prices. But none matched Albania's purge of an industrial economy which was obsolete even when it was being built with Soviet and then Chinese aid and technology in the 1960s and 1970s.

We have lift-off

■ ECONOMIC GROWTH

Most of the Hoxha-era industrial and mining complexes which formerly employed tens of thousands of workers, like the Elbasan steel works or the Tirana tractor factory and spare parts engineering facilities, as well as many of the coal, chrome and nickel mines worked for decades with prison labour, have been closed down.

Economic reform was begun by the transitional government in the fraught months before the March 1992 elections. But difficult decisions were also taken by the Democratic Partyled coalition government which emerged from those elections. Perhaps the toughest was to end the 80 per cent unemployment pay given by the last communist government to workers sent home by

factory closures. The closure of loss-making plants led to a cumulative 60 per cent decline in industrial output in the three years to the end of 1992, but eliminated a double drain on the exchequer and provided a sharp incentive for workers to seek other sources of income either in agriculture or self-employ-

More than 300,000 Albanians, or 10 per cent of the population, took the opportunity presented by the chaotic opening of frontiers to emigrate instead mainly to Italy, Greece and

- ACFIP

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Considered to be the leading authority in the UK on Albanian trade and commerce, the A.C.O. UK has worked with major British companies in Albania during the past three years. Our record in regotiating projects with both the Government and the private

Germany. This exodus eased the political costs of transition, although official unemployment in 1993 still hovered around 30 per cent of the remaining non-agricultural labour force.

Emigration, by leading to a rapid boost in remittances to relatives still at home, became within a few months a crucial element in underpinning the domestic economic recovery. For the last two years remittances and foreign aid have been Albania's principal sources of income.

rom practically zero, remittances rose to \$150m in 1992 and doubled to \$334m last year. This was 10 per cent higher than the total inflow of official foreign aid which dropped to \$303m last year from a peak of \$374m in 1992 when the Italianrun emergency food aid programme, Operation Pellicano, was at its height.

Without the remittances Albania would not have been able to finance the large imports of consumer goods and second hand vehicles which have given the country an unprecedented air of prosperity. Aid alone would have been insufficient to finance last year's \$509m trade deficit.

Remittances raised disposable incomes and the demand for food and imported consumer goods. This in turn has stimulated a rapid rise in small food kiosks, informal markets and, increasingly, petrol stations. The latter are busy servicing more than 40,000 mainly second hand cars and thousands of trucks and vans imported over the past year. Many of the new vehicles are of dubious provenance, but the thousands of hooting cars roaming the streets contrast sharply with the empty roads

of the past. Meanwhile, the return of land to the peasants in a country where 65 per cent of the population still lives off the land or in villages has led to an extraordinary growth in food production and higher rural incomes as livestock, eggs. fruit and grain are traded in increasing amounts.

Higher domestic food output has reduced the need for basic food imports to cooking oil and sugar and provides the basis for the future growth of a domestic food processing industry and the export of early vegetables and fruit.

In this way, an artificial economy of inefficient industrial plants and collectivised agriculture has been replaced within three years by an economy of small farmers, traders and businessmen.

The era of constructive destruction propped up by emergency aid is now over. The dynamic growth of trade has permitted the rapid accumulation of capital and the economy is entering the crujects, principally cafés, small ture and industrial investment, ownership rights.

banking modernisation and institution building.

A largely aid-financed investment programme is getting under way which requires additional foreign equity investment to redevelop the dilapidated but capital and technology intensive oil and mining sectors and help develop the tourism industry.

The first foreign investments are starting to come on stream, such as the new Coca-Cola bottling plant on the road from Tirana airport, partially financed by the EBRD which is also helping other foreign-fi-nanced construction and infrastructure projects.

The most eye-catching is the \$23m hotel and business centre complex now being built by Smelt, a Slovene building company, for Rogner, the Austrian hotel and resort group. The new Hotel Dea, is rising from a prime site on Tirana's main boulevard between the prime minister's office and the exhibition centre originally built to hold the body of Enver Hoxha.

There are early signs that an incipient boom in construction is leading to rising investment in local building materials. Meanwhile, low wages of around \$60-\$70 a month are starting to attract Italian and Greek shoe, textile and other companies seeking Asian level production costs combined with lower transport costs.

To maintain the growth and further raise the level of economic development, the authorities know they must also eliminate the frustrations to would-be foreign equity investors caused by an inexperienced and sometimes corrupt administration and clarify key egal issues, including

■ MEDICAL CARE

On the mend, despite the hospital rats

For decades the Albanian health service, starved of funds and equipment, coped as best it could with the medical consequences of poverty, dirt, nollution and ignorance.

The situation has improved substantially over the last three years with the delivery of substantial medical aid and equipment. Over the next three years Lek12.8bn, nearly 18 per cent of total public investment.

will be devoted to "human resource development" including

health, education, building a social safety net and labour market services, such as employment exchanges and re-skilling. The changes can best be

seen at Tirana's University Hospital, the country's premier teaching hospital, where doctors have received new equipment and have also noted a marked change in the pattern of disease over the last

three years. "Malnutrition used to be a big problem. But since land was redistributed and people have been allowed to have their own cows, sheep and chickens again malnutrition is now rare," says Dr Mehdi Alidirector. Deterioration of the

country's infrastructure, however, has created new problems, such as a serious outbreak of hepatitis due to the contamination of fresh water with sewage from pipes laid over 50 years ago.

But Dr Heta Hyseh, who heads the child surgical unit, has noted a decline in bronchial infections and abnormalities in the digestive tract.

At the same time, however,

ANTHONY ROBINSON

discovers how foreign aid and reform are helping to shake up the nation's archaic health service

> the trauma department has seen a sharp rise in car accident victims following the simultaneous appearance of thousands of inexperienced drivers. The influx of western cigarettes has also done nothing to moderate the high inciservices," he adds. dence of lung and other smok-

ing-related cancers. Dr Alimehmeti also notes subtle changes in the behaviour of patients and their families since the emergence of a more consumerist society. Traditionally villagers from

even the remotest parts of the mountainous north east and other obscure parts of this mountainous country of poor transport brought their children or relations to the University hospital for treatment. Once inside they squatted down there until the patient recovered or died. This continues. Compared with the situation three years ago, however, Dr Alimehmeti notes that "people have become quieter,

Meanwhile, the morale of

"Two years ago we had no sheets or blankets and only ancient beds. The lifts did not work and we often ran out of oxygen and other essential items for operations. At the same time. the hospital

with the delivery of new beds

and new ambulances, mostly

donated by foreign govern

ments and charities. New equipment includes a \$500,000

laser kidney-stone smashing

machine from Germany, brain

scanners and a cardiac scan-

ner from Kuwait.

Was SUIrounded by piles of garbage and it was impossible to keep the hospital clean. Now the garbage has been cleared, the wards are much cleaner and we intend to privatise the laundry, catering and other

Even so, much remains to be done. Rats scurry in broad daylight over garbage piled up against a perimeter fence which abuts one of the city's biggest markets. The oldest wards are still dank, airless rooms packed with 10 beds and lit by a bare built shaded by an old newspaper. Sheets are hand washed and hung on

hedges to dry. pitals reportedly remain low. But here at the University bospital, where six formerly separate hospitals are being re-organised into one coherent whole, the level of service and dedication seem higher.

A new neurological unit and a new "resource centre for health" partially financed by a \$120,000 grant from the Sörös foundation, will further

WANTED AND AND AND

Laura Silber meets a UK participant in the Tirana building boom

Rush for 'western' homes

Albania's dilapidated buildings and run-down blocks of flats epitomise a housing shortage which is expected to get much worse as people flock from the countryside to the towns over the next few years. But the housing shortage spells a big business opportunity for build-

ers and architects such as Mr Martin Stent, who left London to build western-style houses

in Tirana. When he arrived at his new "office" there were no windows, doors, or phone. "But we took it and agreed to redo it, after all I am an architect," he



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FINANCIAL TIMES

office overlooking the site.
Fifteen months later, he is a happy man after a state commission awarded his company a licence to build 1,200 "traditional" western-style houses in the southwest of Tirana, the capital city in which little has been built since the Italians left 50 years ago but which is now expected to double its 240,000 population within a

Mr Stent admits a few misconceptions have been set right since he set up shop. Above all, he underestimated the purchasing power and potential demand for western

style housing.
"When I first came here, I thought we would be building flats at \$10,000 a piece. It turned out to be 10 times that," he says, pointing to the picturesque building site nestling on the shores of a reservoir and framed by the slopes of Mount Dajti which rise above the city. Cows and sheep meander through the pastures, unaware that Albania's first joint ven-ture in private housing is about to leave them homeless.

He also learnt that building houses in Albania means that-MacRae International, his London-based development com-pany, will also have to put in the entire infrastructure, from sewerage to power lines, even though, under the current agreement, Mr Stent's company does not own the land. Instead it has received power of attorney to sell or lease it on behalf of the state at an agreed

Mr Stent's team christened the housing complex Green Valleys. "But Albania is not like England where everyone likes to live somewhere named after a village." Albanians don't want anything sounding too rural, he says, mainly because most urban dwellers are recent immigrants from the countryside and the twothirds of Albania's population who remain in the countryside have no romantic ideas about

Social habits in Albania. with its history of clans and extended families, are also different from what he is used to. 'Several families want to live

in adjoining houses or neigh-bouring flats - envisioning common rooms between them, not just now but for generations to come."

Meanwhile, changing times have created a booming market. "In the old system people were not free to choose where they lived. Now they will naturally gravitate to Tirana, What is more "Albanians want a huge house for the whole family. Some shared houses will have up to nine bedrooms," he

Another characteristic of the current Albanian market is that potential buyers, after 50 years of economic privation under the Hoxha dictatorship, are anxious to pay in advance, afraid that there will not be any houses left to buy a year

Mr Stent turns them away, until the building gets underway. "Many Albanians were burned by foreign bandits at the beginning. Everyone paid cash and they lost all their money," he says.

At present, the new rich speed, horns blaring, down Tirana's wide boulevards in their shiny new Mercedes. But Mr Stent believes that their tastes will change quickly. "Once they have tasted privacy, they will want more of it," he says, adding that many future buyers are currently living in one-room flats with their

now realise that Mr Stent can offer them a badly needed product to cope with rising population and incomes. "But it did take a while to get them to understand that I was here to make money, not to do good." he says of Tirana officials whose mentality was shaped under the old communist regime.

Local construction officials

Now, relieved that the project at last is officially underway, Mr Stent frets about what lies ahead. "There are 101 things to do. They do not make plywood here and they do not know about different colours of bricks - they used to have no choice." But that is about to change, and MacRae International will be part of the rea-



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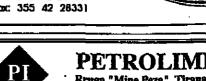
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unceraft at Runus Airport with Incl and has entered into a joint-venture agreement with the Italian company Freshli Cerburanti Lubrificanti SpA for the construction one filling stations in Albanian cities.

Man Man M. rapex, is a state owned company active in the import and export of in Albanian ports with facis and lubricants.

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doing so.

ALBANIA III

he next five years should see Albania emerge as a significant factor in European tourism, but not just yet. At present Albania is a country for the hardy backpacker, the well-heeled business visitor willing to hire both car and driver or, most attractive of all, the yacht-borne visitor now able at last to anchor off Albania's virtually pristine coasts without being fired on

or arrested. Five decades of total isolation from the outside world preserved Albania from the destructive impact of mass tourism, but not from environmental pollution or a countryside littered with hundreds of thousands of concrete pillboxes, or from burning rubbish tips and rivers filthy with raw sewage - or oil spills in the extensive oil regions of the centre and south. There are none of the picturesque seaside

the Croatian coast or the Greek islands.

An autarkic economy with no private vehicles also left Albania with the sort of infrastructure which existed in the rest of southern Europe 50 years ago. The roads are pockmarked, narrow, and usually steep and winding reflecting the mountainous terrain, much of it virtually inaccessible except on foot or donkey. Around 70 per cent of the country comes into this category.

There are very few hotels and restaurants and only now are service stations being put up by private investors along the main roads. Albania is not a place to be in a car which breaks down. The coastal plains, now cov-

ered by virtually medieval strip farms, are easier to traverse, but even here the roads are now full of horse and oxdrawn carts. What is more, towns and villages which dot where traffic was once limited

symbolically important is a

nelt, and the renovation of

the Hotel Tirana. Together

Investors must expect some surprises, says Laura Silber

Land of stunning beauty

Anthony Robinson studies the prospects for high class tourism

mainly to a handful of official cars and old Chinese trucks, an avalanche of second hand cars and trucks has appeared over the last two years.

City streets and country roads alike are now infested by wild, klaxon-blowing novices unskilled in the finer arts of driving - like lane discipline, keeping to the correct side of the road or not overtaking on blind curves or into oncoming traffic. It is also full of traffic policemen with a blind eye for their pals and a keen eye for foreigners to fleece.

All this, and inadequate ports and primitive airports, ensures that Albania should remain off the mass tourism

agenda for some time - some advisers suggest for ever. But the country is definitely now on the move, has a wealth of stunning scenery, virgin beaches and historic monuments and the development of tourism, under Mr Edmond Spaho, the minister for tourism, is seen by the government and foreign advisers as a priority, both to create new jobs and

to bring in hard currency. At present, Tirana, the capital, boasts only one business-class hotel, the Dajti, which was built by the Italians, like most of the city centre, about 60 years ago. It is an oasis for those who hate modern hotels prefer high cellings to air con-

ditioning and do not mind indifferent food when it is served on a verandah overlooking a garden with palms. But the Daiti will be closed for refurbishing as soon as two new first class hotels are completed.

■ he most impressive will be the \$23m Dea hotel and office complex complete with swimming pool and underground parking being built for the Rogner group of Austria 200 metres down the main boulevard from the Dajti. It is due to open by the autumn of 1995.

The 1960s style skyscraper of the Tirana Hotel just off the

central Skanderbeg Square is being refurbished by an Italo-Albanian venture and will be managed by THI of Turin when it opens. But work has stopped at present so the December 1994 opening date is uncertain. Other projects in Tirana

include a 200 room hotel and 10 residential villas being constructed for Al Karafi, a Kuwaiti company, while MacRae International, a UK company, is building up to 1,200 western-style homes and working on plans for a tourist village at Lalzi Bay north of

Italian companies are particularly interested in building tourist villages and associated

growth of small restaurants infrastructure along the coast. Babini is planning a small viland provide small scale finance for families to rent out rooms lage in the Kavaja area while SICS, Torcelo and AX Holdings and build small extensions. But development generally will of Malta are all planning to build tourist villages near Ksarequire sizeable investments. With this in mind the Special mil in southern Albania, just Law on Investments in Priority across the straits from Corfu. Tourism Development Zones The southern coastal strip between the port of Vlore and has been drawn up along with the Greek frontier, and includa long term strategy based largely on a report prepared by ing towns such as Sarande and Butrint with substantial consultants Touche Ross and

Roman and Greek remains, is Euro Principals. earmarked for the first round Tourism investments are of serious development exempt from profits tax entirely over the first five because of proximity to Corfu years and enjoy a 50 per cent exemption over the next five and relative ease of access. This is the area where pine foryears of operation. Losses over ests slope down to a 100km the first five years can also be stretch of hitherto inaccessible virgin beaches. The aim is to offset against profits over the develop this area with the minnext five years. imum of environmental destruction. The entire tourism

As a further incentive all machinery, spare parts and raw materials are exempt from customs duty for three years. Foreigners can be employed and profits freely repatriated.

Mr Sejami Khepa has an awesome task - to promote foreign investment in Albania on an annual budget of \$32,000. From his office in what was once the Albania Today exhibition hall be frets that his shoulders are not broad

the safety of

200 foreign investment projects, ranging from kiosk cafes to oil exploration in the Adriatic Sea. The European Bank for Reconstruction and Development (EBRD) is financing nearly \$100m worth of pro-

Hard lessons in capitalism tant role in providing "comfort" to would be investors. Mr Wei Ding, the Shanghalage of hotel rooms in the Albaman capital, as well as enhan-cing telecommunications and The most conspicuous and

per cent followed by Greek

with relief at the end of an

absurd agricultural system.

The former regime drove an

entire nation to near starva-

tion by banning private rear-

ing of animals of any kind,

from draught animals to the

Three years later rural

Albania, where 65 per cent of

the population still lives and

works, is still poor relative to

the rest of Europe, especially

in the mountainous areas

which cover two thirds of the

country. But the rural towns

and villages have taken on a

On the fertile coastal plains

which stretch south for 150kms

from the capital Tirana and the

country's main port of Durres,

the fields sub-divided into

small strips are full of hard

wheat and alfalfa with scythes.

On the reclaimed marshland

closer to the sea many of the

fields of the former state farms

humble chicken.

new Coca-Cola bottling plant, other technical aid projects. just outside Tirana, which will start full operations this While foreign equity capital has flowed in - \$80m so far month. It is a joint venture it is hardly the deluge that between Aziende Commerciali many Albanians were expect-Industriali Estero; a wholly owned Italian subsidiary of ing when their country began to open up in 1991. "At first, Coca-Cola, and a state-owned Albanians believed that inves-Albanian investment comtors would run to them with pany, with EBRD financing. The EBRD is also co-financtheir pockets lined with money," says Mr Xhepa. Over ing construction of the Hotel \$200m of foreign capital is Dea, by the Austrian company committed to projects - Italian Rogner and the Slovene firm companies accounting for 53

born IMF representative in Albania, believes that Albania's main hope for rapid economic growth is to attract foreign investment. But he cautions that "Albania is a small market and the govern-ment has to do more than the neighbouring countries to

attract investors". Mr Xhepa agrees. He is only 28 years old and does not believe in overnight miracles. The most important thing is that foreign investments are guaranteed. Albania has signed agreements with some 15 countries on the protection of foreign capital," he adds.

be repatriated freely and Albanians hope that their comparative advantages will lure for-eign investors. "The cost of labour is two dollars per hour compared with four in Taiwan." Mr Xhena says. Several large Italian shoe and garment companies have already transferred assembly operations to Albania from the Far East, saving on both wages and transport costs.

As rising competition reduces profits from hawking imported goods in the fast mushrooming sales kiosks all over the country be expects to sees a re-investment of trading profits into manufacturing and construction projects. including those linked to for-eign financed infrastructure developments.

Mr Xhepa, 28, is an assistant professor of economics at Tirana University and speaks Italian and several other foreign languages. But a fairly widespread knowledge of for eign languages among the young policy makers and businessmen has not broken down all the barriers thrown up by half a century spent in a socialist cocoon which spawned suspicion and fear. Xenophobia was institutionally enforced under Mr Hoxha and his successor, Mr Ramiz Alia, and unofficial contacts with foreigners were illegal.

Some of these suspicions were reinforced by a flood of carpet baggers who hit town when the regime collapsed,

many of them ethnic Albanians from neighbouring Kosovo. Mr Bashkim Kopliku, deputy prime minister, says "many foreigners came here dealing in contraband goods. with the hope that they would find savages who knew noth-

Mr Kopliku complains that a handful of companies still want what he calls "more than their fair share of the profit". But his criticisms of investors are matched by counter charges from investors who have fallen foul of officialdom and complain of an ignorant and sometimes corrupt bureaucracy and absence of clear laws and rules.

ing about finance or doing

Mr Julien Roche is a promi-nent French businessman, who first started trading with Albania in 1982 and is now trying to recoup losses which he says were caused by trying

to work strictly to laws when many of his competitors were operating clandestinely and

III POLENE

infrastructure will have to be

The EBRD is partially finan-

cing a scheme to promote the

built from nothing.

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> The co-owner of a string of shops and an aviation company, the businessman is viewed with suspicion partly because he began trading with the former regime a decade ago. He is now fighting to secure the release of his Albanian partner from jail, months after a court rescinded his sentence on appeal.

he outcome of his fight to defend his business interests and his partner by legal process is being closely atched by diplomats and the foreign business community. But suspicion of foreign business has been heightened

exploit happened two years ago when a Kosovar business-man collected tens of millions of dollars from citizens and Albanian workers abroad to build a "Sheraton-like" hotel. which was touted as the new land-mark for Tirana's centre.

With no warping he absconded to Switzerland with all the money, leaving a deep hole and nothing else. Another investor claimed to be a close relative of Baron de Rothschild even though he was Chinese. After these incidents many Albanians are wary about investors pulling out of projects, creating uncertainty in an environment striving for

On the other hand Albanians suffer from their lack of knowledge about foreign markets and most businessmen are deeply aware of their lack of experience after decades under a paranoid regime when only hand-picked favourites could travel abroad.

"Even now if they can afford to go abroad they often have to wait for months to get a visa." says Mr Xhepa, who picked up some of his expertise on a training course in Verona, Italy, Unfamiliarity with the out-

side world sometimes causes hilarious misunderstandings. A resident European business man recalls how a senior goverament official told him that Albania did not need to introduce the Diner's Card because we already have the Rotary Club." In the future says Mr Xhepa, such snags and misunderstandings will be avoided because the rules of the games are now set. The emphasis has moved from joint ventures by several bad experiences with the state, which were open to abuse, to direct investwith foreign investors. The worst, almost legendary ment or private partnerships.

shoulders are not broad enough to bear the burden of bringing his country into the future. "Albanians have a lot to learn after 50 years of isolation from the outside world. but step-by-step, their mentality will change," he says. It already has. Until four years ago, foreign investment was a Albania now has more than

jects, and playing an impor-

Peasants sweep away collectivised farming, writes Anthony Robinson

The fever of liberation

The eye is a better guide to the new reality of rural life in postcollectivisation Albania than dry and inadequate statistics. But, for the record, the IMF estimates that agricultural output rose by 14 per cent last year and forecasts another 8 per cent gain this year.

The ministry of agriculture offers a 15 per cent overall increase, according to its own statistics, or at least 30 per cent according to satellite pho-A sceptical attitude to the

statistics is merited above all changes which have taken place following the decrees abolishing collective farms three years ago and the redistribution of their lands to nearly half a million peasant farmers with an average holding of around 1.4 hectares.

Decollectivisation was followed by an orgy of looting and destruction as farm and machine tractor station buildings, irrigation systems, greenhouses and other collective brick by brick and pane by pane in many areas. Orchards and forests, and even tall roadside poplars were also cut down, as an angry and distrustful peasantry showed its bottled up hatred for the regimented farming of old.

But the destruction also had a more practical side as the new landowners scavenged for the materials with which to build primitive hen-coops, pig sties and storage space and where possible to acquire a tractor or combine harvester.

home tore d piece of the irrigation system. broke it into pieces and laid a solid floor in place of the mud in his yard. The rest of us waited to see if he was punished. He wasn't, so we all took what we could," a farmer explained beside a pool of water from the broken irrigation canal used as an al fresco car wash by enterprising

The avidity of the search for

remain large and wheat is being cut by Fortschritt model building materials coincided combine barvesters made in former East Germany and 'appropriated" from the former centralised pool of agricultural equipment. Roads for so long virtually empty of traffic are now clogged by hay wagons pulled by donkeys or oxen while chil-

dren and old women lead cows along mud tracks or lie with them under make-shift straw sum shelters.

Outside village houses, or glimpsed inside courtyard interiors, mounds of wheat are piled up to dry in the sun after winnowing, while children and old people shoo chickens, gag-gles of geese and flocks of tur-keys away from the inviting grains.

With unseasonable rain compensating for broken irrigation systems and bread prices at world market levels following the removal of subsidies last July, farmers are getting ready to sell surplus grain to the Politically and economically, fulfilment of the never honoured Leninist slogan "land to the peasants, bread to the workers" has been a determining factor in the success of post-communist stabilisation

Allowing peasants to grow their own corn, bake their own bread, raise livestock and grow crops for own consumption and sale has relieved the government of its inherited obligation to provide bread and basic foods.

On the demand side, the elimination of food subsidies, compensated for by higher the demand for bread which was often simply thrown away when sold at the old subsidised

Now, hobbled live sheep and working women cropping freshly skinned sheep carcasses are offered for sale by the roadside outside many villages and the increased supply of meat and the influx of a wide range of imported foodstuffs, including luxury items, has further reduced the demand for bread and added variety to a once monotonous and rationed diet.

The last three years have proved that a return to virtually medieval strip farming and free markets is more productive than enforced collectivisation. But not all are enamoured by what Marx once called "the idiocy of rural life".

The government and aid agencies expect a big exodus from rural areas into towns and into new service industries like tourism as the Albanian economy moves towards a more conventional pattern. The future of agriculture lies in a consolidation of strips into larger units once peasants are permitted to buy and sell their land. This was denied for the

first two years. Meanwhile, a \$42m agricultural sector adjustment credit funded by a \$20m loan from the World Bank, \$20m from Japan and \$2m from the Dutch government, is helping to finance priority projects.



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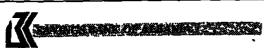


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COMMODITIES AND AGRICULTURE

Copper climbs to two-year peak

By Kenneth Gooding, Mining Correspondent

US investment fund buying came out of the blue to propel copper's price to a two-year peak on the London Metal Exchange yesterday.

There was no particular reason for the sudden renewed interest of the funds. Some dealers suggested that, having "played" in the palladium market in recent days, the funds decided to turn their attention to another metal likely to benefit from increased international economic activity.

The weight of buying forced those who had sold short in the hope of being able to buy back later at a lower price to run for cover. Also "buy" signals were triggered on the computers used for trading by some speculative funds.

Copper for delivery in three months reached \$2,557 a tonne, its highest since July 1992, on the LME early yesterday after the funds first prompted a rise on the New York Commodity Exchange late on Tuesday. Profit-taking later saw it ease back to close at \$2,538.50 a tonne. un **36**5.

Many analysts were expecting the copper market to consolidate and for there to be some profit-taking during the mid-vear months when demand slows. However, the

ics in its latest Copper Briefing Service, pointed out that, when the copper market rose strongly in 1987-88, prices increased steadily each month for more than one year, shrugging off the usual seasonal influences. "It will be a crucial test of the strength of the present market to see whether or not copper prices simply carry on rising through the northern hemisphere vacation shut-downs," it said.

The first state of the state of

Nevertheless, the market faced a number of bearish factors in the second half, according to BME. Exports from the Commonwealth of Independent States might increase from 15,000 to 25,000 tonnes a month; some mines on standby could reopen, encouraged by recent high prices; and the first of the new generation of big green field mining projects in Chile and Canada could come on stream. This might cause the copper price to pause in its rise for some time but BME remained confident that an underlying supply deficit

would cause prices to

Union Minière, the Belgian

strengthen further in 1995.

metals group, said it would spend BFr2.8bn (256m) on a western partner. new 200,000-tonnes-a-year copper smelter at Olen, northern Belgium, to replace an existing refinery, Reuter reports from

Black gold draws investors to a Balkan backwater symbol of national wealth and prestige. But in Albania, the Balkan state which for 50 years was one of the most isolated countries in the world, their shabby

total disregard for the environment. Large tracts of centralcoastal Albania above the main onshore oil reserves are covered with spindly rigs and ever-so-slowly nodding donkeys sucking out thick bituminous oil. The crude then runs in rusting and often exposed pipes or shallow trenches to

state symbolises decades of

under-investment and near

leaking storage tanks. The foul stench of crude is all-pervasive. Black pools of oil lie on the surface around the rigs and the rivers run with tell-tale rainbow coloured oil slicks.

Hundreds of wells are simply abandoned, with rusting metal, broken pipes and chunks of machinery littering the ground around them. The cost of clearing up over 70 years of envinental damage to acceptable western standards will be enormous; and it is unlikely to be shouldered by any future

On the other hand western oilmen believe that spectacular productivity gains could be achievable from the introduction of modern production



Hundreds of wells are abandoned, with rusting metal, broken pipes and chunks of machinery littering the ground around them

The Albanian oil industry may never live up to its initial promise in the 1920s, when a director of the Anglo-Persian Oil Company, the predecessor of British Petroleum, recommended that the company end its exploration efforts in Saudi Arabia in favour of Albania. But a successful rehabilitation and exploration programme over the next few years could make it a net oil exporter. Premier Consolidated Oil

Fields, a UK-based independent

exploration and production company, has been negotiating with the Tirana government for more than a year to rehabilitate Albania's largest oil field, Patos Marinza, near the town of Fier. About 1,500 wells each

topped with a rusting derrick, have been drilled in an area of about 16km by 35km. But output from the field, which could contain as much as 1bn barrels of oil, is only about 3,000 barrels a day. Premier is close to signing a

25-year production sharing contract that could result in output being boosted to 20,000 b/d or more. But Mr Gerry Orbell, Premier's head of exploration, says negotiating the deal has been a complex and at times frustrating exercise.

As Albania rejoins the international community after 70 years of isolation Anthony Robinson and Robert Corzine assess the state of its oil sector, once thought more promising than Saudi Arabia's

As in many other former communist countries, few ministers or officials are accustomed to taking decisions. This meant that many of the issues raised during negotiations had to be settled by President Sali Berisha himself

Unfamiliarity with western legal concepts meant that even after seven months of discussions, the Albanian-authored first draft of a production sharing contract was "riddled with so many ambiguities that it wouldn't stand up in any international court", according to Mr Orbell

Premier brought in lawyers with experience in Russia to re-draft the contract. Mr David Davies, Premier's commercial manager, said the final version was more in line with western norms, but "it still had to go some way way towards their way of doing things' Albanian expectations that

ment would materialise immediately following an agreement had to be dispelled. Instead the field will be

developed in stages. Although

to "kick-start" higher production, the company plans to use revenues earned from gradual increases in output to fund

additional expansion.

The first phase will include tests of the reservoir and evaluation of steam injection and other techniques to increase the flow of the field's heavy oil. It will also include an environmental audit to determine the extent of the pollution

before it makes any significant

Once they are confident about the production potential of the reservoir. Premier and its Albanian partners will probably approach the European Bank for Reconstruction and Development for help in funding the power and water projects that would be needed to bring the field to its full potential of 20,000 b/d. The EBRD has said that it wants to see the field working properly

commitments. Premier hopes to export its share of the field's production to neighbouring countries. But the absence of an established market for Albanian crude means it might have to sell some to Albanian refineries for millions of pounds of invest-US dollars.

The refineries, however, are in an equally dilapidated state. The main working refinery, just outside the dusty town of Ballsh, spews flame from waste stacks and plumes of dark

Some western oil executives believe that it would be cheaper and more environmentally sound for Albania to export its crude to modern refineries in neighbouring countries and import products. But the politically-sensitive employment implications of refinery closures could keep the obsolete facilities going for

some time. The only signs of relatively new investment in Albania's oil sector are fleets of second or third hand road tankers and private petrol stations.

The latter are now springing up like mushrooms alongside the main roads as private entrepreneurs seek a profitable outlet for the small fortunes made over the last three years following the liberalisation of trade and foreign exchange

ate war

The road tanker fleets that have replaced lumbering old Chinese-built trucks are now privatised; but they still ply the narrow and tortuous roads from collection points to the refinery and service stations with their former Italian or Greek owners names stencilled on their sides.

Tomorrow - Geoff Tansey describes the transformation of Albanian agriculture over the

Monsanto seeks to allay European fears about its milk yield-boosting hormone

By Alison Maitland

Monsanto, manufacturer of the milk-boosting dairy hormone BST, yesterday sought to counter fears about its use, saying it had not cut milk consumption and was reaping dividends for farmers.

BST, or bovine somatotrophin, is a manufactured version of a hormone that occurs naturally in cows. Monsanto, which is reported to have spent about \$500m developing BST, began selling it in the US in February after receiving approval from the Food and Drug Administration. European Union agriculture ministers

are due to consider in December whether whether the cause was BST or the milk to lift a moratorium on its use in Europe. The European Commission, while accept-

induce a high yield were more prone to mastitis, although it was not known cow gets mastitis."

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vield itself.

Ms Lisa Watson, Monsanto's health and consumer affairs manager, said a study to be published in the US Journal of Dairy Science concludes that "BST doesn't affect the relationship between milk yield and the risk of mastitis."

said other factors such as wet weather and the stage of a cow's lactation had a "five

Ms Watson also pointed to figures from the US Department of Agriculture showing consumption of liquid milk was unchanged between February and April

compared with the same period last year. This was despite the fact that 70 per cent of consumers were aware of BST, up from around 28 per cent last November. However, only a tiny proportion of milk is labelled as being produced without BST. so most consumers are unlikely to have a choice about whether to buy BST-pro-

Conscious of milk quotas in Europe, Monsanto was anxious to sell the hormone

meet their quotas despite output problems caused by weather or illness, rather than as a way of increasing milk supplies.

Monsanto's BST customers control about 20 per cent of milk production in the US, the company says. Contrary to fears that BST could serve large, efficient farmers to the detriment of smaller ones, the company says more than half its customers are farmers with 100 or fewer cows.

Mr Jerry Steiner, marketing director said farmers were getting a return of \$2 for every \$1 they invested in BST, although some of that would be absorbed by

as "a management tool" to help farmers increased feed costs. "We have a better than 90 per cent satisfaction and repur-

chase rating from our customers," he said. Monsanto expects cows injected with BST to produce 10-15 per cent more milk during their 300-day lactation, although the hormone is used only when lactation is starting to decline.

The USDA has forecast that about 40 per cent of cows in the US would be treated with BST by 2000. "US farmers have a significant advantage in reducing the cost of producing milk," said Mr Steiner. Farmers in the UK should have the opportunity for that same advantage.

COMMODITIES PRICES BASE METALS **LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading) M ALUMINIUM, 99,7 PURITY (\$ per tonne)

	COOK	0 1111111
Close	1517.5-9.5	1542-4
Previous	1502-3	1528-7
High/low		1545/1534
AM Official	1511-13	1536-7
Kerb close		1538-9
Open int.	282,650	
Total delly tumover	13,471	
III ALUMINIUM ALL	CV R nor book	al
Close	1520-30	1540-50
Previous	1510-15	1530-6
High/low		1545/1540
AM Official	1520-5	1540-6
Kerb close		1542-7
Open Int.	2,618	
Total daily turnover	433	
■ LEAD (\$ per toren		
Close	591-2	605-6
Previous	595.5-8.5	608-9
High/low	691	612/601
AM Official	591-1.5	605-5.5
Kerb clase		601-2
Open Int.	42,492	
Total daily turnover	8,736	
■ NICKEL (\$ per to	nnel	
Close	6340-5	6435-40
Previous	6315-25	6410-20
High/low AM Official	6365/62 6362-5	6490/6400 6455-6
	0302-3	6425-30
Kerb close Open Int.	57,023	0423430
Total daily furnover	61,920	
	01,020	
TRV (\$ per tonne)		
Close	5415-25	5490-500
Previous	5435-45	5510-20
High/low		5540/5460
AM Official	5440-2	5515-20
Kerb close		5460-70
Open Int.	18,371 4.610	
Total daily tumover	•	
ZINC, special hig	y Guage (2 be.	tonne)
Close	983-4	1006-7
Previous.	981-2	1005-8
High/low	987/986.5	1014/1005
AM Official	985.5-7.0	1010.5-11.6
Kerb close		1006-7
Open int.	101,961	
Total daily tumover	20,738	
m COPPER, grade	A (5 per tenne)	
Close	2533-4	2538-9
Previous	2373-4	2479-80
High/low	2554/2551	2552/2531
AM Official	2553-4	2560-2
Kerb close	222.063	2533-4
Open Int.	222,063 89,759	
Total daily turnover		20
III LIME AM Official		2 4
LIME Closing 1/5	rate: 1.5490	
Spot: 1.5495 3 miles: 1.54	75 6 pather 1.5467	9 mths:1 5449
HIGH GRADE CO		
Days		Open
Close strap	pe 15igh tow	int Val
	5 115.50 114.40	
See 115.15 -1.01	5 114.70 114.70	
	116.35 115.00	34,235 6,894
Oct 114 80 -1.0	116.35 115.00	34,235 6,894 423 88
	116.35 115.00	34,235 6,894

PRECIOUS METALS M LONDON BUILLION MARKET (Prices supplied by N M Routschik

Gold (Troy oz.)	\$ price	£ equiv.
Close	386.80-387	.20
Opening	386,35-386	1.76
Morning for	386.40	250.097
Alternoon fix	387.45	250,696
Day's High	387.80-388	120
Day's Low	386.00-386	L40
Previous class	384,40-384	.70
Loco Lan Mean C		
1 month	3.97 6 m	onths4.39
2 months	4.02 12 n	nonths4.80
3 months	4.07	
Silver Fix	priray o	. USC13 equiv.
Spot	345.10	532,15
3 months	349.45	538.15
6 manths	353.96	544,75
1 year	265.45	680.00

1,00 423 -0,95 246 -0,85 114,80 113,85 10,080

III. UNLEADED GASCLINE NYMEX (42,000 US gads.; c/US gads.)

ing BST is safe for humans, argues that artificially boosting milk supplies runs counter to EU policy of cutting production. In Britain, the government's adviser on animal welfare, the Farm Animal Welfare Council, last week recommended that the hormone should not be licensed until data were available on a wide range of issues relating to the welfare of cows. It said dairy cows treated with BST to Precious Metals continued ■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

During a visit to the UK to promote the

104.15 40.55 104.10 103.80 383 105.00 +1.10 105.00 103.90 2,388 107.00 +1.15 107.00 108.95 1,503 108.65 +1.10 108.00 108.00 69.3 110.40 +1.05 110.50 110.00 502

101.85 +0.90 101.50 100.95 103.25 +0.80 103.00 102.55 104.65 +0.75 -105.75 +0.50 -107.00 -

hormone, she agreed there was a link between high milk yield and mastitis but to 10 times greater impact on whether a GRAINS AND OIL SEEDS M WHEAT LCE (2 per tonne)

SOF	TS					
1 000	OA LCE	(£/tonr	16)		_	
	Sett	Day's change	iligh		Open	Val.
đ	1094	+17	1105	1071	890	149
.	1104	+14	1116		17.089	
Ē	1108	+7			30.022	
	1127	+7	1143		28,857	1,224
iay .	1135	+10			9,963	
	1139	+9	1130	1130	3,950	36
تحلوا					WA	5,376
COC	OA CSC	Æ (10 t	onnes; S	\$/tonne	s)	
P .	1489	-2	1524	1476	38,887	6,100
ė	1529	-1	1582	1515	17,458	1,741
3	1556	-	1590	1545	7,909	258
ay .	1576	-	1586	1586	2,958	2
	1596	-	1578	1575		-
	4000	•	-	•	1,092	•
2 1	1616				76,349	8,167
í P	1616					
ai SP Stai	OA (ICC	O) (SDF	l'a/torm	e)		
i P ital		O) (SDE	'a/torm Price		Prov.	dry

Coom. daily 203,77	Coore	COMPA	~~~	31 100,0	OF O	744
15 day average		361	24.15	24.50	-0.26	24,15
No7 PREMIUM RAW SUGAR LO	6,865 E N	19,338	23.87	24,50	-0.47	23.9 5
	2,975	19,404		24.39	-0.43	23.89
	1,834 Oct	12,684		23.80	-0.35	23.33
	6,571 488	33,712	22.82	23.42	-0.28	23.02
	152 Mar	3.540	22.90	23.45	-0.22	21.09
		98,248				
WHITE SUGAR LCE (\$/tonne)	<u>= w</u>	; S/ton)	00 tons	CST (1	MEAL	'ABEAN
Det 318.30 -1.90 318.00 318.0	1.892 Dct	275	177.0	181.5	-3.7	177.0
Dec 312.70 -1.10 312.50 312.0	9.423 Dec	23.630		179.7	-29	176.2
Mar 311.50 -0.90 312.20 311.0	3.827 War	17,253		177.8	-21	175.3
May 310,90 -0.60 -	1.431 Way	9.666	173.1	175.0	-1.6	173.1
Nug 310.50 -0.70 -	4.877 Aug	26,812		174.5	-1.7	172.8
Det 297.50 -0.70 -	314 Oct	2,778	173.5	175.0	-0.8	173.5
Total		87.578			-	.,,,,,
R SUGAR '11' CSCE (112,000fbs; c	≡ St	- •		(tonne)	LCE (E	ATOES
Det 11.88 -0.14 11.99 11.8	- Oct					90.0
Mar 11.67 -0.10 11,74 11.6	. Var	-		-	-	105.0
May 11.59 -0.10 11.64 11.5	133 May	1,171	221.0	231.0	-4.8	222.0
Jai 11.48 -0.09 11,57 11.4	. Jai	-			+10.0	250.0
Det 11.39 -0.09 11.45 11.4	- Get	-				107.5

T (8	IFFEQ I	.CE (\$1	Q/Index	r point)	138	Total	11,00		-		10
430	-5	1435	1425	558	46	E (0)	TON NY	JE (50,	AUUDS;	Cents/	08
357	-23	1385	1355	765	94	Ang	80.25	-0.50	71.00	71,00	
380	-26	1409	1390	114	26	Oct	71.00	-0.25	72.00	71,00	
401	-21	1430	1423	424	14	Dae	70.55	-	71.70	70.50	3
410	-20	1415	1405	258	7	Mar.	71,80	-0.45	72.90	72.40	7
438	-17		-	102	-	May	72.63	-0.42	73.20	73.10	4
				2.299	187	36	73.30	-0.41	-		2
58	Pier					Total					54
422	1422					III ORA	WIGE JUI	ÇE NY	ÇE (15,	0000 5s;	O
						Sep	90.86	-3.25	97.00	89.80	14
						Nov	94,00	-3.20	99.40	93.60	1

Cotton

Liverpool-Spot and shipment sales am
to 80 tennes for the week ended 1
against 75 tennes in the previous
restricted operations involved few fresi
ings. Only occasional interest displa-

+0/4 324/0 321/4 1,780 2,350 -1/2 332/0 328/4 97,570 22,830 -1/2 345/0 341/4 147,515 46,220 -0/2 350/0 341/4 147,515 46,220 -0/4 344/4 346/2 31,465 3,165 -0/4 344/4 340/4 1,530 620 +0/6 325/0 323/0 3,255 375 346/2 31,465 3,165 340/4 1,530 520 323/0 3,255 375 283,225 75,960 S COFFEE LCE (\$/tonne) 3565 526 118 3500 19,483 4,028 3490 8,167 1,886 3470 10,746 658 3470 3,621 376 3536 880 9 3650 3660 3650 3640 3610 -186 -180 -183 -203 -200 -218 220.56 -12.95 227.00 217.75 28 28 Sep Dec Mar Mary Jul Sep Tetal -12.65 227.00 217.75 -13.45 230.50 221.25 -9.00 231.50 230.50 -9.00 231.50 231.50 -9.00 232.70 232.70 -9.00 SOYABEANS (287 (5,000bu min; cents/60to bushet) -7/4 501/0 592/4 4,740 5,125 -13/0 599/2 508/0 124,580 67,755 -7/4 579/2 57/0 68,405 22,120 -8/2 568/4 557/4 345,550 57,95 -7/0 581/4 573/0 17,315 3,330 183.68 No7 PREMIUM RAW SUGAR LCE (certs/fbs 9,868 969 3,785 381 345 171 (6,519 (5,710s) 742 3,851 375 113 30,747 3,851 7,217 375 4,271 113 2,403 23 54,294 5,121 4,543 1,350 3,306 3,569 2,399 706 184 97.75 -1.25 103.00 97.20 100.50 -1.00 105.00 100.10 103.75 -3.00 105.50 105.20 105.75 -1.00 100.50 103.75

- 1				
ounted 5 July week, 1 deal- yed in	contracts	rest and traded on E, CSCE st	Folume data COMEX, NYN rd IPE Crude (MEX. CBT.
	INDICE	_	9/31 =100)	_
Ì	Jul 20 2158.1	Jul 19 2156.6	month ago 2007.0	yeer ego 1701.9

■ CRB Futures (Base: 4/9/56=100)

AT AND LIVESTOCK VE CATTLE CME (40,000lbs; cents/ibs 88.725 -0.075 68.900 68.450 24,737 71.300 +0.100 71.575 71.050 22,437 70,950 +0.375 71,075 70,375 12,430 70,400 +0,300 70,890 70,000 9,432 71.775 +0.525 72.100 71.300 5,066

> VE HOGS CME (40,000lbs; cents/lbs) 683 313 10,208 1,765 9,858 830 4,482 293 1,187 107 940 51 27,848 3,867 45.775 -0.450 46.375 45.790 683 44.700 -0.075 45.000 44.500 10.208 40.800 -0.400 41.300 40.750 9.859 40.700 -0.175 41.000 40.525 4,482 40.100 -0.400 40.700 40.100 RK BELLIES CME (40,000lbs; cents/fbe) 32.500 -0.850 33.900 32.450 148 32.125 -0.825 33.550 31.825 4,525 43.300 -0.025 44.000 43.175 42.850 -0.025 43.675 42.650 43.500 -44.500 -

LONDON TRADED OPTIONS Strike price \$ tonne M ALUMINEUM

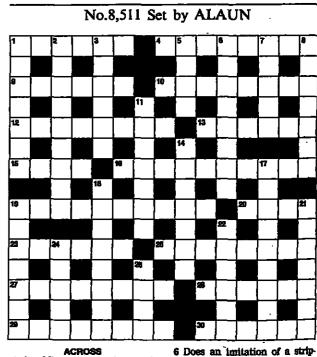
1550 . 1575 . 117 95 75 E COFFEE LCE 5ep 407 439 472 E BRENT CRUDE IPE Sep Oct 97 67 Sep 28 52

1800	35 62 7	8 -
LONDON SPO		TS +0-
Dubei Brent Blend (deted) Brent Blend (Sep) W.Y.L. (1pm est) E OIL PRODUCTS NWE	\$16.24-6.32w \$17.31-7.33 \$17.51-7.53 \$19.17-9.19w prompt delivery (+0.26 +0.25 +0.25 +0.25 +0.25
Premium Gasoline Gas Oil Hanvy Fuel Oil Naphthe Jet fuel Petroloum Argus Estimates MI OTHER	\$185-187 \$150-151 \$98-100 \$165-169 \$184-186	+1 +0.5 +3 +0.5 +0.5
Gold (per tray aziş Stiver (per tray aziş Platinum (per tray az.) Patiedium (per tray az.) Copper (US prod.) Lead (US prod.)	\$387.00 532.5c \$418.50 \$145.75 120.0c 37.75c	+2.45 +11 +2.0 +4.0

range that and exté	3301.UU	+2.45
Stiver (per troy oz)—	532.5c	+11
Platinum (per troy oz.)	\$418.50	+2.0
Pasadum (per troy oz.)	\$145.75	
Copper (US prod.)	120.0c	+4.0
Lead (US prod.)	37.7 5c	
Tin (Kualo Lumpur)	14.03m	+0.07
Tin (New York)	251.50c	-2.0
Zinc (US Prime W.)	Unq.	
Cattle (iive welcht)†©	117.42b	+0.41*
Sheep (Ive weight) +C	95,47p	-1.58*
Pigs (five weight)©	70.66p	-2.65*
Lon. day sugar (raw)	\$304.30	-1.60
Lon, day sugar twisi	\$346.00	-1.70
Tate & Lyle export	2309.00	+1.00
Barley (Eng. feed)	£106.75t	
Maize (US No3 Yellow)	\$143.5	
Wheet (US Dark North)	0.0813	
	£100.0	
Rubber (Aug)¥	88.60p	
Rubber (Sep)♥	86.50p	
Rubber KL RSS No.1 Aug	330.5m	+2.5

Coconut Oil (Phil)§

Copra (Phil)§ Soyabeans (US)



CROSSWORD

4 Sections of the prison to be

(6) Subordinate position the 14 Anything, to a doctor, that a patient will swallow (?)
17 Make a quick volte-face and have a collection (4.5)

quarter goes to the govern-ment (6) 15 Broke the news when instructed to (4)

16 The card player's definition of a double date? (42.4)

19 Just light music (4.6)

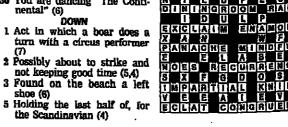
20 She is in late, half cut (4)

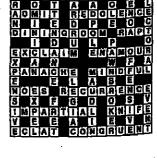
25 Was wet through, it indicated, again (8) 27 Carrying in wine - it's for the

musician (8)
28 Rod lost the round by a tiny margin: it's not fair (6) 29 A little peat's sprinkled round it in the garden (8) 30 You are dancing "The Conti-nental" (6)

turn with a circus performer (7) 2 Possibly about to strike and not keeping good time (5,4) 3 Found on the beach a left

shoe (6)
5 Holding the last half of, for the Scandinavian (4)





entertainment (5)
8 Are they getting their hair ready for the dog show? (7)
11 The Spanish gentleman at the inside is a politician (7)

Would have you know it has an odd, old-fashioned sound

19 Portrays as being in charge in

22 Double up, for instance, with pain (6)
24 Find standing right beside

Solution 8,510

one (5) 26 Take this man on again (4)

mistakes (7)

JOTTER PAD

+5

-1.0

LONDON STOCK EXCHANGE

MARKET REPORT

135 Final .

Anthony Robinson and A Company of the Comp

backwater

Interest rate concerns return to unsettle shares

By Terry Byland, UK Stock Market Editor

An early challenge to the Footsie 3,100 mark ran into a setback in the London market yesterday following a fresh warning on US interest rates from Mr Alan Greenspan, chairman of the Federal Reserve. The stock market had already been unsettled by the disclosure that the UK chancellor of the exchequer and the Governor of the Bank of England had agreed last month that domestic interest rates would be raised if inflation threatens. However, early losses had been recovered and the downturn was resumed only as reports of Mr Greenspan's testimony to Congress appeared on the trading screens.

The opening minutes of official trading saw the Footsie touch

3,099.6 before turning back as traders reacted to publication of the minutes of the meeting in June between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, Governor of the Bank of England.

But by the end of the session, the FT-SE 100 Index had fallen to a day's low of 3,077.2, a net loss of 14.1 points. Once again, the setback was spearheaded by falls in stock index futures. However, traders believed that an increase in trading volume in equities did not indicate increased selling pressure and the FT-SE Mid 250 Index, which is less affected by the futures markets. remained firm, closing 12.6 up at 3.587

In the first half of the session, the stock market made a fairly neutral response to the latest data on the domestic economy. A rise of 0.2 per cent in June retail sales for an annualised gain of 3.3 per cent and M4 bank lending of £2.9bn, while at the high end of expectations, were overshadowed by caution ahead of Mr Greenspan's speech.

Confidence in London that the recent steadier trend in the dollar and bond markets might bring a favourable review from Mr Greenspan inspired a further move towards Footsie 3,100 in the early afternoon.

The market, however, went speedily into reverse as the speech from the Fed chairman was followed by falls in bond prices and in other European equity markets. The downturn was emphasised by a decline of 22 points on the Dow

Average in UK trading hours.

Trading volume rose sharply, but

at the end of the session, the day's Seaq total of 679.7m shares still compared with 691.4m in the previous session. Retail business was worth £1.57bn on Tuesday, well up to the best daily averages of the past twelve months.

Fund management buyers from continental Europe, who have been providing the driving force behind the recovery in the London stock market, backed away in the second half of the session when their own domestic markets reacted negatively to the latest developments.

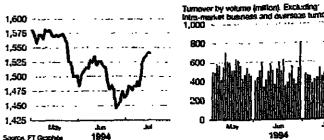
Several leading securities houses said their trading books were fairly evenly spread between buyers and sellers. The renewed uncertainty over US rates puts increased emphasis on this morning's meeting of the Bundesbank policy council, and revives the question of whether European markets and economies have decoupled from the US.

The setback took toll of share prices across the financial and retail sectors, which have been moving ahead confidently over the past week Store shares in particular, proved themselves more fearful of higher interest rates than encouraged by retail sales growth in June reported earlier in the day.

The blue chip dollar-earning stocks moved narrowly as these sectors waited to see how the US currency would settle down in response to the comments from Mr Greenspan. But turnover in these market leaders was not heavy.

London market strategists said that much will depend on the reaction from bond markets across Europe, and on the actions and comments of the Bundesbank.





Kev Indicators

Building & Const.

Other Financial

Life Assurance

3 Health Care ..

Water



FT Ordinary index 2391.6 (19.42) 19.39 FT-SF-A Non Fins 0/8 -22.0 FT-SE100 Fut Sep 3076.0 (8.25) 10 yr Gilt yleid 8.35 2,19 Long gilt/equity yld ratio:

Equity Shares Traded

1	1	Banks1.	Ş
ţ	2	Insurance1.	4
9	3	Gas Distribution1.	1
8	-	Oil Exploration	0
7	7	Telecommunications1.	a
•	þ	Leachaugh Comous	_

Rate war fears hit banks

High street bank shares fell sharply in late trade as disappointment over the latest bank lending figures was compounded by reports of a customer lending rate cut by Midland Bank which prompted fears of a price war in the

sector. Bank and building society lending grew by £2.9bn in May, against forecasts of a £1.3bn

Stock index futures closed at

the lowest level of the day as

renewed fears of higher US

inflation caused litters in the

3100.0 3076.0

3120.0 3086.0

3595.0 3587.0

IT FT-SE 100 INDEX FUTURES (LIFFE) 225 per full index point

■ FT-SE MED 280 INDEX FUTURES (LIFFE) \$10 per full Index point

IN FT-SE MED 250 INDEX FUTURES (OMLX) 210 per full index point

rest figures are for provious day, † Exact volume shown.

FT-SE 100 INDEX OPTION (LIFFE) (*3078) £10 per full index point

-22.0 -22.0

Open Sett price Change

3,585.0

interest rates to combat

EQUITY FUTURES AND OPTIONS TRADING

Kibazo.

High

3119.0

3120.0

+12.0 3595.0 3591.0

increase, but the bias was firm Hong Kong market lost towards credit card and mortgage loans, and corporate lending was weak. Then Midland, the high street arm of HSBC, cut its personal lending rate by 2 percentage points.

Prices in the sector were immediately chopped back as speculation ran through the City that Credit Lyonnais Laing was poised to respond with a significant downgrading of banks. Laing, however, was phlegmatic, saying it had rec-ommended an underweight stance since the start of the year and was unlikely to change its views ahead of Lloyds Rank's interim results on July 29. HSBC, buoyed by a

London market, writes Joel

Traders in the derivatives

afternoon by comments from

Est. voi Open int.

14322

-0.5 3091.3 3082.0 3074.8 2814.1 +0.4 3574.4 3580.3 3551.3 3195.4

+0.2 1774.05 1770.38 1767.81 1631.07 -0.2 1540.95 1638.11 1532.50 1396.75

+0.2 2638.68 2606.98 2603.29 2052.60

+0.3 1978.93 1982.99 1997.88 1864.60 +0.1 1877.55 1889.77 1974.17 2013.90 -.... 1882.78 1874.71 1875.77 1560.20 -0.1 2330.13 2333.12 2350.99 1832.30 +0.4 2862.87 2860.62 2844.84 2239.10 -0.3 1885.31 1884.14 1672.89 1778.90 +0.3 1979.93 1992.99 1997.68 1864.60

-0.4 2667.26 2657.28 2647.96 2558.10

-0.1 2556.53 2240.49 2222.94 1986.30 -0.7 2796.75 2800.52 2773.42 2710.20 +0.2 2207.34 2211.09 2206.82 2137.90

-0.1 2435.40 2434.90 2446.07 2189.80 +0.8 1605.75 1565.05 1590.97 1678.20

-0.8 2875.51 2834.88 2829.16 2684.70 -0.2 3694.72 3845.06 3853.45 3805.70

-0.5 1672.40 1668.92 1642.17 1773.50 -0.6 1711.90 1698.70 1689.49 1495.10 -0.3 1558.96 1554.26 1549.02 1525.20 -0.4 2365.32 2372.76 2361.37 2046.50 +0.3 1181.40 1165.92 1153.69 1188.90

1537.38 -0.2 1540.95 1536.11 1532.50 1396.75 3.85 6.43

11.00 12.00 13.00 14.00

-1.0 1970.61 1961.16 1946.69 1767<u>.</u>00

1549.5 1545.8 1409.4

+0.1 2687.83 2657.86 2862.57 2135.00 3.38 +0.4 3844.97 3605.93 3798.64 3127.20 3.30

+0.1 1992.54 1996.94 1997.46 1770.60 3.81 +1.1 1173.58 1173.34 1172.20 1025.40 3.25 -0.5 2011.68 2018.44 2006.72 1825.20 3.67 +0.2 2415.97 2419.10 2406.93 2110.50 3.83

were unnerved during the

Low

3088.0

The jitters in the DIY sector - following news earlier this week that US giant Home Depot is poised to enter the UK market - continued unabated. with B&Q owner Kingfisher bearing the brunt of investor concern. The company was yesterday said to be talking up its own trading strategy to institutional investors and analysts in advance of an imminent announcement over the

only 3 at 735p, but Barclays slid 8 to 546p, Lloyds 14 to 556p

and National Westminster 16

Kingfisher concern

US group's European expansion plans.

However, sector specialists said that they did not expect Home Depot's announcement to contain much detail above their perceived objectives. But underpinning analysts' con-cerns over the already overcrowded UK DIY market is Home Depot's hiring of a for-mer B&Q executive and the possibility of further defections. Kingfisher shares tum-bled 13 to 502p on 2.3m traded.

There were also renewed suggestions of Darty shareholders exercising share options and making ready to exit Kingfisher in large numbers. Risewhere, Texas parent

TRADING VOLUME

NEW HIGHS AND 167p, while Do It All owners LOWS FOR 1994 Boots retreated 314 to 535%p and W.H. Smith 5 to 480p.

Ladbroke slipped a penny to

with 4.1m traded.

changed." The house also cut

forecasts for Telegraph by £5m

to £44m, Daily Mail &General

Trust by £8m to £92m and

United Newspapers by £13.5m

to £151m. Telegraph and Daily

Mail were steady at 367p and

1035p and United, which

remains on Smith's buy list.

Shell Transport was a

healthy market, the shares

boosted 61/2 to 722p on turnover

of 3.5m by a recommendation

from Nomura, the Japanese-

owned investment house. The

house oils team said: "The

market is seriously underesti-

mating the scale of recovery in

profits which will take place

over the next five years.'

profits forecast by £325m to £4.61bn and its 1996 figure by

LIFFE EQUITY OPTIONS

589 61/ 29 - 11 261/ -246 21 30 351/ 1 81/ 12 250 41/ 171/ 24 3 18 21/ 50 7/ 9 11 1 31/ 41/ 50 1 4 5 4 81/ 10

Albed-Lyons 540 48 821/5 - 1 71/2 -

Jul Oct Jan Jul Oct Jan Option

Lasemo (*136) Lucas lods (*164)

P & 0 (1877)

Placington (*191) Prudential (*305)

Tesco ("238) Vodslane ("553) Walterns ("366)

Option

Abbey Mell (*394) Amstrad (*2814) Barothys (*547)

Scot Power (*385) Seass (*121) Forte (*220)

Tomkins (*223) Walicosto (*650) Option

(734)

(*476.)

added 4 at 537p.

£420m to £5,32bn.

(*584) Argyl (*258) ASDA (*56)

NEW HIGHS (S).

DREWEIGES (1) Hot (J), BUILDING & CHSTRIN (1) Amoy, BLDO MATLS & MICHTS (1) Criston, CHEMICALS (2) European Colour, Husper, DISTRIBUTIORS (1) Polor, DWERSHEED INCLS (1) Florant Challenge, ELECTHIC & ELECT EQUP (2) Encison (E.M. Caspole Technology; EMGINESTRING (3) Erpainet Inc., Renold, thysian, Brid, Videottals (4) Automotive Proteon, EXTRACTIVE MIDS (2) Imposs Proteon, EXTRACTIVE MIDS (2) Imposs Proteon, EXTRACTIVE MIDS (2) Imposs Proteon, EXTRACTIVE MIDS (2) Impos (1) Dendy, MWESTIMENT TRUSTS (8)

IMMESTIMENT COMPANIES (1) Jopan OTC Wirs, LEISURE & HOTELS (1) Northern Cov Mirror falls Shares in Mirror Group Newspapers were hit as Smith New Court featured the tabloid newspaper group as its key sell in a hefty review of the sector's potential in the harsh light of the newspaper price war. The shares fell a net 5% to 138%p

Wits., LEISURE & HOTELS (1) Northern 16/01, OTHER SERVIS & BUSNS (1) Ku 9601, OTHER SERVS & BUSINS (1) Kuda Lumpur Keptong Bhi, PRITON, PAPER & PAGNG (1) Smurth LJ, RETABLERS, FOOD (1) Low (N), RETABLERS, GENERAL (2) House of Fracer, Next SPHRTS, WORRES & CODERS (1) MacDonald Martin A, SUPPORT SERVS (1) MacDonald Martin A, SUPPORT SERVS (1) Margomer, TEXTUELS & APPAREL (1) Wensum, TRANSPORT (1) THT, AMERICANS (2) Ares. Cyanomid, Goncile, SOUTH APRICANS (1) Gold The media team reduced its 1995 profits forecast for Mirror by £13.5m to £77.5m. Analyst David Forster commented: "Irrespective of whether there Fields Prop. NEW LOWS (81). are further cover price cuts. the outlook for the profits of the national newspapers has

NEW LOWS [81].

GLISS (2) BREWERNES (1) Accord, BURLDING & CNSTRN 46 For, Rains, Tay Homes, Try, BLDG MATLS & MCHTS (3) Colpes Brids, Hesten, Lisantel Spc Pri, CHEMICALS (5) Doctors, Globon Lyots, Wards Scoreys, DISTRIBUTORS (2) Central Motor Auctions, Lithio Supplies, DVERSETED INDLS (1) Undors, BLECTINNC & ELECT EQUP (5) Control Techniques, Modo Intl., Miligate, ENGINEERING (6) AMA, APV, Bakar II. Vortox Energy Systems, ENG, VERNELLES (2) Mid-States, Motor World, EXTRACTIVE INDS (1) Crion, FOOD MANNET (1) Abort Farin, HEALTH GARE (2) Contest, Tegnel Diagnostics, PRSVRANCE (7) Argentons, Brachstock, Delam Lloyds, Healt (62), Lloyd Thompson, Lowidoe Lamber, PWS, BIVESTMENT TRUST'S [5] LESSURE & NOTELS (8) Magnota, Pren., MEDIA (2) Procedinis, Sterling, Ct.

MEDIA (2) Phonodink, Sta EXPLORATION & PROD (5) Arms Potrol OGC, Oceanica, OTHER SERVE & BUSINE (1) RODING, PHARMACEUTICALS & Collect n, PROPERTY (3) Ha Solutional, Speciality Shops, F GENERAL, (3) Antiley (1), Bet SUPPORT SERVS (1) Virtually, TEXTILES & APPARIEL (4) Hunstone, Richards, Stider, String, AMERICANS (1) Rochaell Ind.

Chemicals leader ICI firmed a penny to 811p as the impact of an upgrade and change of stance by one leading investment bank filtered through into the market. BZW raised its

Ang Nov Feb Aug Nov Feb

240 191/2 2414 28 2 71/2 10

260 54 13 17 8 16 1914 134 7 15 - 3 9% -154 1 7 - 18 22 -180 19% 18 21% 4 13% 16 200 24 8% 13 18 26% 28%

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Sep Dec Mar Sep Dec Na

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Tarmoc 160 14% 18 22 9% 15 17% (151) 180 5 9% 14% 23 28 30% Thom ENG 1050 40 58 63% 47 62 76% (1057) 1100 22% 48% 63% 78 91% 106 108

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Rolls Rayce 180 1814 2314 2716 214 815 12 (*192) 200 414 13 18 114 1916 2216

er 380 33 38 45 114 1514 2014 380 1514 24 29 2614 3014 3514 120 774 11 1314 534 514 1014 130 314 64 614 12 144 16 220 14 18 2314 11 1614 19 240 6 1014 15 2314 29 314

220 12½ 18 23½ 12½ 16 19 240 5½ 11 15 35½ 29 32 500 45 51½ 75 25½ 41½ 49 650 22 35% 52½ 59 65½ 76 34d 6ct Jan Jul 6ct Jan

750 814 4914 71 2514 6214 774 475 1014 3014 - 914 2514 -487 514 2414 - 17 3114 -Aug Nov Feb Aug Nov Feb

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1995 profits forecast by £80m to £700m and put the stock back on its buy list Courtoulds

bounced 7 to 516p on enthusiasm for the stock following Tuesday's annual meeting. Profit-taking ahead of figures due today saw Wellcome tumble 16 to 615p.
One of the food industry's

+0.7

oldest bid rumours was rehashed yesterday as United Biscuits raced forward under the seemingly watchful eye of Cadbury Schweppes. The latter was said to be considering dumping its 25 per cent stake in US group Dr Pepper, having been denied a board seat and facing a bitter poison pill should it decide to opt for a full bid, and instead consider a UK altrenative. UB shares put on

10 to 316p, while Cadbury slipped 2% to 444p. Optimism that J. Sainsbury will enter the bidding for William Low saw the latter's shares move forward 5 to 261p. Kwik Save was again in the frame in the guise of its largest sbareholder Dairy Farm, and put on 20 to 557p. Sainsbury shares slid 2 to 398p and Tesco a half-penny to 238p. Argyll's bullish trading statement on Tuesday saw the shares

advance 8 to 259p. industrial conglomerate BTR was busy as Tuesday's cautious note from UBS continued to exact a toll. The shares shed 2 to 368p, with volume at 8.7m,

once again heavy. Ship builder VSEL raced 34 ahead to 908p, at the prospect of diminished competition with the near certain closure of

rival Swan Hunter. One ana-

lyst said: "With Swan Hunter out of the picture, VSEL is left with a near monopoly in the market. There was some talk in the market that the company may announce defence orders at

today's annual meeting. Defence electronics group GEC eased a penny to 273p. after it launched a £100m 8 per cent bond, maturing in 5 years The issue is being lead man-

aged by Goldman Sachs. Favourable comment on Tuesday's announcement from British Aerospace of the sale of its Space systems unit to Matra Marconi helped the shares gain 4 to 494p, Shares in engineering group Bullough were in demand ahead of next week's interim figures and put on 3 at 141p.

Paper and packaging group David S. Smith lifted 22 to 550p following a well received set of figures that saw full year profits rise £15.1m to £42.2m and prompted a rash of upgrades. Vodafone advanced 9 to 553p

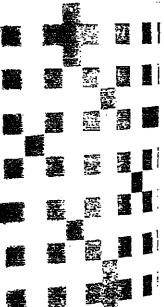
with Hoare Govett positive following the annual meeting. US debt agency Standard & Poor's downgraded part of Forte's debt portfolio. The shares lost 51/2 to 221p.

British Airways rose 5 to 434p in strong trade of 7.6m following a positive trading statement from USAir, in which it holds a stake.

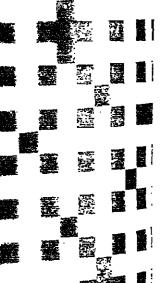
MARKET REPORTERS: Christopher Price, Peter John,

Joel Kibazo ■ Other statistics, Page 20

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CROSSWORD



FT-8E 100

FT-SE M6d 250 FT-SE M6d 250 ex Inv Trusts FT-SE-A 350

FT-SE SmallCap
FT-SE SmallCap ex Inv Trusts
FT-SE-A ALL-SHAFE

10 MINERAL EXTRACTION(18)

12 Extractive industries(4) 15 OR, integrated(3) 16 OR Exploration & Prod(11)

20 GEN MANUFACTURERS(264) 21 Building & Construction(32)

25 Bectronic & Elect Equip(35) 26 Engineering(70) 27 Engineering, Vehicles(12) 28 Printing, Paper & Pckg(26) 28 Textiles & Apparel(20)

SO CONSUMER GOODS(877)

31 Breweries(17) 52 Spirits, Wines & Ciders(10) 53 Food Manufacturers(23) 54 Household Goods(13)

36 Health Care(21) 37 Phermsceuticols(12) 38 Tobacco(1)

40 SERVICESS220)
41 Distributors(31)
42 Leisure & Hotels(24)
43 Media(58)
44 Retailers, Food(17)
45 Retailers, General(45)
48 Support Services(40)

48 Support Services(40) 49 Transport(16) 51 Other Services & Bush

60 UTILITIES(36)

62 Electricity(17) 64 Gas Distribution(2)

40 SERVICES(220)

FT-SE Actuaries All-Share

ELEURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point 2878 2925 2976 3025 3076 3125 3175 3225
202\(\frac{1}{2}\) 8\(\frac{1}{2}\) 15\(\frac{1}{2}\) 11\(\frac{1}{2}\) 25 8\(\frac{1}{2}\) 39\(\frac{1}{2}\) 38 8\(\frac{1}{2}\) 38 137 25 173
197 45 132\(\frac{1}{2}\) 18\(\frac{1}{2}\) 27\(\frac{1}{2}\) 39\(\frac{1}{2}\) 39\(\frac{1}{2}\) 39\(\frac{1}{2}\) 39\(\frac{1}{2}\) 39\(\frac{1}{2}\) 39\(\frac{1}{2}\) 18\(\frac{1}{2}\) 19\(\frac{1}{2}\) 19\(\frac{1}{2}\) 11\(\frac{1}{2}\) 11\(\frac{1}{2}\) 11\(\frac{1}{2}\) 23\(\frac{1}{2}\) 11\(\frac{1}{2}\) 23\(\frac{1}{2}\) 11\(\frac{1}{2}\) 23\(\frac{1}{2}\) 11\(\frac{1}{2}\) 23\(\frac{1}{2}\) 11\(\frac{1}{2}\) 23\(\frac{1}{2}\) 11\(\frac{1}{2}\) 23\(\frac{1}{2}\) 11\(\frac{1}{2}\) Caffs 398 Puls 599 * Underlying Index value. Availables shown are based on setti † Long dated expliny months. EURO STYLE FT-SE MID 250 BIDEX OPTION (OMLX) \$10 per full Index point 1854, 474, 784, 88 58 98 esteril prices and volumes are taken at 4.30cm FT - SE Actuaries Share Indices Day's Jul 20_chge% Jul 19 Jul 18 Jul 15

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Day's Jul 20 chge%

Mr Greenspan suggesting that the recent slide in the US dollar could raise inflation.

The September contract on the FT-SE 100 had opened at 3,100, just ahead of cash, and traded sideways for the next few hours, with the mid-morning release of economic data on the UK money supply and retail sales

making no impact on trading. The contract drifted lower iust ahead of lunchtime on the back of a weakening gitts sector, before Mr Greenspan's testimony brought about concerted selling in the last hour, as dealers also reacted to a poor opening on Wall

September closed at 3,076, down 22 from its previous finish and at a 7-point discount to its fair value premium to cash of about 6 points. Volume improved to 14,322 lots.

There was also better turnover in the traded options sector. Closing volume was 27,216 contracts, with 10,312 dealt in the FT-SE 100 option. BT led the league table among the stock options, with a trade in the August 420 puts being the biggest contributor to the day's total of 1,702.

P/E Xd adj. Total ratio ytd Return

18.53 34.34 1199.20

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6.24 19.41 83.80 1326.50 6.60 17.99 35.17 1188.73 4.29 30.59 31.84 1394.27 4.73 28.27 32.73 1373.87

4.35 28.87 47.41 1089.48 5.22 24.00 54.24 1053.28 4.47 27.81 60.54 1072.93

1.25 80.00† 20.34 1118.16

4.65 28.40 44.82 1008.20 4.58 28.00 20.84 922.01 3.98 31.58 45.09 938.97 1.98 32.18 58.23 1064.89 4.71 26.15 50.00 1004.01 6.69 18.01 53.12 917.43 4.65 25.58 38.18 1070.16 222 51.36 42.03 1114.02 5.01 23.49 48.61 1122.00 6.06 20.36 38.26 945.23

7.80 15.39 71.37 908.62 7.87 15.95 60.23 1009.52 8.94 18.71 88.45 870.41 8.00 14.50 65.72 925.72 7.56 15.73 52.15 869.39 3.13 65.69 32.89 894.12 7.86 15.04 59.01 892.78 9.50 12.02 127.83 786.60

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-420

16.10 High/day Low/day

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Year Div. Earn P/E Xd adt. Total Jul 19 Jul 18 Jul 15 ago yield% yield% ratio ytd Return

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4.37 5.88

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4.94 2.83

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3087.1 3096.4 3096.4 3098.8 3090.6 3077.9 3099.8 3077.2 3583.5 3590.6 3591.3 3591.4 3590.3 3586.9 3582.5 3580.8 1553.8 1558.1 1568.2 1568.2 1665.8 1550.6 1558.9 1550.3

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2788.29 +0.3 2760.30 2749.70 2738.31 2358.80 2.17 1.88 53.80 38.85 928.18

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FT GOLD MINES INDEX Jol % chig Jul Jul Year Groce de 52 week 19 on day 18 15 ago yield % High Low 216 Gold Mines Index (35) 1953.58 +0.3 1948.14 1953.57 1942.28 M Regional Indices 2910.34 -3.4 3014.05 3023.06 2722.36 4.59 2586.34 +2.1 2532.26 2503.68 2408.75 2.00 1578.05 +2.0 1548.88 1858.53 1848.65 0.82

LONDON EQUITIES

RISES AND FALLS YESTERDAY Follo 64 Other Fixed Interest 114 324 13 175 278 42 42 113 24 140 162 832 420 1396

TRADITIONAL OPTIONS

Cats: Aran Energy, Division Group, Eldos, Hanson Wts, Tadpole Technology **LONDON RECENT ISSUES: EQUITIES**

price	paid	COP	19	94		pnce		Net	Drv.	Grs	P/E
P	up	(Em.)	High	Low	Stock	P	+/-	div.	COV	yki	net
100		32.4	105	9912	Baille Gifrd Shin C	10412	+1			_	_
§40		14,9	45	41	∳Blocure	41		-	-	-	_
105	F.P.	9.79	114	105	Bicomsbury Pb	113		WN2.94	27	3.2	11.6
150		17,2	160	156	CPL Aromas	158		LN3.0		24	15.1
18	F.P.	5.74	31	21	Cornell	31	+5	_	-		_
100		55.B	109	98	Chasterton Intil	109		RN3 3	1.8	3.6	15.4
220		109.9	225	220	Eurodollar	224	+4	WN8.5	0.9	4.7	17.5
176		247.6	203		Exco A/L	201	42	184	2.2	53	10.9
~			3514	30-∤	Five Arrows Wits	3212	, ,		_	-	_
_	F.P.	53.1	165		JBA	161	-	LN2.4	4.1	1.9	16.4
-	F.P.	•	77	63	JF FI Jopan Wits	70	+1	-	_	-	-
3		1.73	34	3	John Marsheld	34		-	_	-	-
	F.P.	33.4	130		Norcor	124	-1	W4.56	2.5	4.5	3.01
100		68.8	98		Old Mutual SA	98		_	_	_	_
-	F.P.	6.16	45	43	Do Warrants	44			-	_	-
23	F.P.	10.6	31		Orbis	29		-	_	-	_
-	F.P.	17.7			Oryx Fund	694	+4	-	_	_	_
-	F.P.	116.9	95	91	Schroder Japan G	9312		-	-	-	-
-	F.P.	12.0	48	42	Do Warrants	48		-	-	-	_
	F.P.	44.B	82		Scudder Latin	89		-	-	-	-
-	F.P.	8.02	44		Do Wris	43		-	-	-	-
100		24.8	89		Shires HY Smir C	99		-	-	-	-
-	F.P.	1.05	13	11	SEn Country Hims	IJ		-	-	-	-
100	F.P.	3.52	97	97	TR Euro Gith Pig	97		-	-	-	-
	F.P.	•	14		TR Prop Wrts	1112		-	-	-	-
232	F.P.	1,711.8	295	280		25412		NG 54	1.1	2.8	34 D
-	F.P.	2,72	35		Tops Ests Wits	34		-	-	-	-
	F.P.	22.4	102		Universal Ceramic	102	+2	LN3.75	1.9	4.6	14.2
150		53.3	150	129		137	+1	WN5.5	1.8	5.0	12.2
	F.P.	46.5	49		VideoLogic	34	-4		. =	-	-
140	F.P.	64.0	169	148	Yates Bros Wine	165		L3.0	2.7	2.3	20.4

pnce pnce	Amount paid up	Latest Renun. dete	19 Hilgh	194 Low	Stock	Closing price P	+01
47	N2	19/8	6pm	312pm	-¥Amberlev	5pm	_
410	M	18/8	54pm	39cm	Cater Alten	47pm	
-	N	13/8	125pm	61pm	Charter	121pm	-1
40	Na	25/8	Som	3pm	Excelleur	3pm	
120	Ni	1/9	25pm	18pm	Finelist	25pm	
13	N	22/8	13pm	14pm	Greycout	1 ^l apm	14
24	NE	25/7	23.pm	2pm	Heleno	2pm	
70	15/1	18/8	13pm	2pm	A.zarmomin & Brohn	2pm	
70	No	19/8	12pm	31 ₂₀ m	Landon Inti.	5 ¹ 2pm	+112
105	NE	21/7	10pm	Зрт	Orlei	8pm	*1-2
8	NEI	3/8	4pm	- Labour	Paramount	4pm	
15	NB	25/7	7pm	1120m	Carillootti	3½pm	
130	N	14/7	26pm	9pm	Ricardo	Spm 3-spm	
73	N	5/8	3pm	4pm	Wates City of Lon	1 ₄ pm	

FINANCIAL TIMES EQUITY INDIÇES

	July 20	July 19	18 والك	July 15	July 14	Yr ago	Tigh	1.ow
Ordinary Share	2391.6	2404.3	2405.3	2400.6	2393.4	2220.1	2713.6	2240.6
Ord. aiv. yield	4.19		4.18	4.19			4.46	3.43
Earn.ykó.%-full	5.64			5.63	5.58	4.95	5.95	3.82
P/E retto net	18.90		16.96	18.92	19.07	25.87	33,43	17.89
P/Enabonal	19.65			19.67		23.90	30.80	18.61
For 1994, Ordinary FT Ordinary Shore (Share inci natus bases	er tince d date 1/7/	omplation 35.	high 271:	3.6 2/02/9	1; low 49 4	26/8/40	.0.01
Ordinary Share	hourly d	MANGAS.						

Open 9.00 10.00 11.50 12.00 13.00 14.00 15.00 18.00 High

2407.2 2402.0 2394.0	2398.3 24	103,1 2402	.5 2402.3	2398.5 239	2.0 2407.2	2391.6
	July 20	July 18	July 18	July 15	July 14	Yr ago
EAO bargeins iculty tumover (Cm)† iculty bargains† Rares uaded (mi)† Excluding inba-mentet bu	25,262	26,689 1574.1 31,944 619.2 warsens turn	25,627 1129.6 27,679 418.7	32,577 1565.5 38,839 673.4	26,488 1514,8 29,635 581.9	25,990 1327.1 31,458 500.5

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68 Water(13) 69 NON-FINANCIALS(635)

70 FINANCIALS(104) 70 Final (10) 71 Banks(10) rence(17) 74 Life Assurance(6) 75 Merchant Banks(6) 77 Other Financial(24) 79_Property(41) 80 INVESTMENT TRUSTS(123) 89 FT-SE-A ALL-SHARE(862) FT-SE 100

FT-SE MM 250 FT-SE-A 360 Time of FT-SE 100 High B.30em Low 4.30pm ■ FT-SE Actuaries 350 Industry baskets

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MC | Pailon F | Pailon 2014年 1222 124 4 8 4 2015年 127 2016年 DISTRIBUTORS **BREWERIES** | Part | 160 (2011) Price 555 ball 175 ba INSURANCE +54 +52 +63 +63 +63 And the state of t ENGINEERING 30 30 36 75 | 3.4 | 170.1 | -1.1 | 11.5 | 283.8 | 30.8 | 285 Quantum | 4M | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 88.4 | -7 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2. 155¹2 32¹2 9 115 1703 249¹2 248 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-3 | 116-

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CURRENCIES AND MONEY

MARKETS REPORT

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Greenspan scares dollar

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Hawkish comments about inflation from the Fed chairman, Mr Alan Greenspan, yesterday put the skids under the dollar's recent revival, writes Philip Gawith

in the course of his Humphrey Hawkins testimony to Congress, Mr Greenspan struck a more cautious note than anticipated. This led to a self-off in the US bond market, and this spilled over into dollar

After touching a high in Europe of DM1.5781 the US currency finished in London at DML5662. Against the yen it slipped back from a high of Y99.55 to close at Y98.76. This compared to lows last week around DM1.52 and Y97.

The Fed chairman's later comments, that a weak dollar was bad for the economy, prompted a recovery during US

trading.
In the UK sterling paid little attention to the cabinet reshuffle, or to retail sales and money supply figures. The sterling index finished at 79.3 from 79.5.

The D-Mark showed little change ahead of today's Bundesbank council meeting, the last before the four week summer recess. The balance of opinion in the market is against a cut in the discount rate. Yesterday the Bank allowed the repo rate to fall by three basis points to 4.88 per

The lira managed to firm above the L1,000 level against the D-Mark, finishing at L996.3 from L1,001.

■ The market was surprised by Mr Greenspan's caution when he noted that it was an open question" whether the Fed had done enough to head off inflation.

This was taken to mean the Fed might not yet have reached the end of the monetary tightening phase, and the dollar was initially bought on

When bond prices started to fall, however, the dollar soon followed suit, ending the day lower.

The other feature of the Fed chairman's testimony was his comment that the "substantial" drop in the dollar was likely to fuel inflation, if not rently.

EXCHANGE CROSS RATES

III D-MARK FUTURES (SAM) DM 125,000 per DM

0.6368 0.6368 0.6374

WI SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

July 20

Dutch Guilder French Franc

CROSS RATES AND DERIVATIVES

DKr FFr

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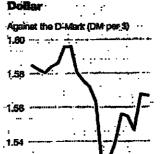
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1994 Source: FT Graphite

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reversed. This is the closest Mr Greenspan has come in recent months to acknowledging that the weakness of the dollar might be a concern. He appeared to be saying that the Fed would act to stop the currency falling too low.

Mr Chris Turner, currency strategist at BZW, commented: This is not the right time to sell the dollar on anything more than a 1-2 month horizon. Mr Greenspan has identified the dollar as a major factor in Fed thinking."

He said the dollar was probably now close to bottoming against the D-Mark, but was vulnerable to falling further against the yen. If the monthend deadline for progress in trade talks with Japan is not met, there is a possibility that the US might resort to sanc-

These views were echoed by Mr Keith Edmonds, chief analyst at IBJ International in London. He added that the pattern of the dollar following the bond market, though understandable in the short term, would not necessarily persist. "The danger to the dollar from upsetting the bond market is shortage.

fairly small." The December eurodollar future traded at 94.24, suggesting the market is pricing 3-month money at 5.76 per cent by the end of the year, compared to 4.68 per cent cur-

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■ The D-Mark had a steady day ahead of the council meeting. The cut in the repo rate was in line with market expectations. Analysts are divided about what to expect today, though only three out of 20 sampled by Reuters predicted that the discount rate would be cut from its current level of 41/2 per cent.

Ms Alison Cottrell, international economist at Midland Global Markets, described the Bundesbank's dilemma: "At only a couple of basts points off the repo a week, the Bundesbank will finish its recess (August 18) at a spread of 30 basis points to the discount rate - very close to its 25 basis point "margin of tolerance" and hence boxed into a corner by rate-cut speculation."

"A pre-emptive discount rate cut, with no acceleration in the pace of repo rate cuts, would make money management a lot easier," said Ms Cottrell. The problem with this theory is that when faced with a similar choice last December, the

Bundesbank chose to fix the

repo rate for a few months.

■ Volumes in the short sterling market were quiet, but the December contract lost ground to finish at 93.92 from 93.97. Analysts said the market was in a profit-taking mode following the sharp rise last week.

The market appeared to be slightly unnerved by the larger than expected M4 money supply growth, and later by the bearish implications of Mr Greenspan's comments for interest rate policy. Euromarks were also weaker, with the December contract closing at 95.12 from 95.17.

The Bank of England announced that it will today provide UK money markets with £2.454bn by way of repo and secured loan facilities. In its daily operations it provided the market with £639m assisa Fed tightening in terms of it tance afer declaring a £650m

■ OTH	er Currence	5
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Est, vol. Open int.

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High 95.23 96.18 95.04 94.78

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Low

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90.97 90.59 90.14

95.74 95.60 95.40 95.11

Low

94.91 94.28 94.06

High 91.37 91.08 90.70 90.22

MONTH EURO SWISS FRANC FUTURES (LIFFE) SFrim points of 100%

High 95.84 96.70 95.47 96.22

ES (LIFFE) Ecu1m points of 100%

High

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High 94.97 94.36 94.14

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94,93 94,32 94,08

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Oct 0.21 0.09 0.03

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arods.	(C\$)	2.1400		291 - 408	2.1408		21413	-0.7	2.1444	-0.8	2.1849	-1.2	85.8
	Pesa)	5.2725		690 - 760	5.2760							_=	
ISA	_ (3)	1,5490	-0.0108	486 - 493	1.5515	1.5407	1.5481	0.7	1,5489	0.5	1.5419	0.5	62.1
acific/Middle												•-	
ustralia	(AS)	2.1038		026 - 050		20900	2.1038	0.0	2,1051	-0.2	2.1232	-0.9	-
long Kong	(HKS)	11.9857		622 - 691		11.9027	11.9618	0.4	11.9607	0.2	11.9676	0.0	-
ndia	(Pa)	48.5886		718 - 054	48.8670			-:					
apan		152,975		876 - 071		152,878	152.565	3.1	151.8	3.1	147.745	3.4	190.9
lalaysia	(145)	4.0172		155 - 189 724 - 757		3.9981 2.5827	2.578		2.5858	4.5	0.0004		-
ow Zealand	(NZS)	2.5741		185 - 114	41.2115		25/8	-1.8	2,5858	-1,8	2,6061	-1.3	
	(Pesc)	40.8150 5.8091		076 - 106		5.7784	-	-	-	-	-	-	-
audi Arabia	(SR) (SS)	2.3398		385 - 411		2.3303	-	-	-	•	-	- :	•
Ingapore Alrice (Com.)		5.6998		973 - 022		5.6736	-	-	•	-	-	-	
Africa (Fin.)	(FI)	7.0013		842 - 183		6.9842		_		-			
	(Wort)	1247.60		724 - 796	1248.58			-	-	-	:	-	
alwan	(12)	41.2486		618 - 353	41.3490		_					-	

DOLLAR	1 3 1	OT FOR	PARTU	CHENTER	: :M5 :	المريابية لربائر	Π						
lui 20		Clasing mid-point	Change on day	Bid/offer spread	Day's high	mid kw	One mo	nti %PA	Three six	onths %PA	One y	MPA	J.P Morg Index
iurope					-						_		
w atri a	(Sch)	11.0200		175 - 225	11.1035		11.0232	-0.4	11.0237	-0.1	10.9538	0.6	
Selgium	(BFt)			500 - 900	32,5200		32.29	-0.7	32.335	-0.8	32.39	-0.4	
)enmark	(DKr)	6.1501		491 - 511	6.1929	6.1483	6.1561	-1.2	6.1671	-1.1	6.2041	-0.9	
Inland	(FM)	5.1875		825 - 925	5.2279	5.1825	5.1905	-0.7	5.193	-0.4	5.232	-0.9	
Tance	(FFr)	5.3650		640 - 660	5.4090	5.3640	5.3701	-1.1	5.377	-0.8	5.35	0.3	105.9
Sentratry	(D)	1.5682		659 - 664	1.5781	1.5856	1.5668	-0.5	1.5688	-0.1	1.5572	0.6	106.
inece	(Dr)	236.850		700 - 000	238.300	236.600	237.2	-1.8	237.97	-1.9	241.35	-1.9	69.3
reland	(21)	1.5298	~0.0057	285 - 310	1.5310	1.5174	1.5288	0.7	1.5268	8.0	1,5199	0.6	
aly	(4)	1560.08		995 - 017	1575.50		1565.21	-4.0	1574,71	-3.8	1614.06	-3.5	76.
grupdinera	(LÉI)	32,2700	+0.21	500 - 900	32,5200	32,2500	32.29	-6.7	32,335	-0.8	32.39	-0.4	105.
letherlands	(FI)	1.7570	+0.0122	566 - 573	1.7715	1.7562	1.7576	-0.4	1.7583	8.1	1,7492	0.4	105.
lorway	(DBG)	6.8380	+0.0249	370 - 390	6.8974	6.8370	6.8415	-0.6	6.846	-0.5	6.8215	0.2	96.
ortugal	(Es)	161,200	+1	100 - 300	162,150	161.100	162,43	-9.2	164,47	-8.1	171.6	-6.5	94.
petn	(Ptai	129.100	+0.675	050 - 150	130,000	129.050	129,465	-3.4	130.12	-32	132,49	-2.6	81.
weden	(SKr)	7.7654	+0.0709	816 - 691	7.8159	7.7219	7.7824	-26	7.8189	-28	7,9734	-2.7	78.
witzerland	(SFr)	1.3240	+0.011	235 - 245	1.3355	1,3235	1.3237	0.3	1.3223	0.5	1.3096	1.1	106.
K	œ	1.5490	-0.0108	486 - 493	1.5515	1.5407	1.5481	0.7	1.5469	0.5	1.5419	0.5	87.
icu		1.2203	-0.0062	198 - 208	1.2208	1.2118	1,2189	1,4	1,2167	1.2	1,2285	-0.7	
DRt	_	1.46463	_	-	-			٠.	-			•	
mericas													
rgentins.	(Pesci	0.9988	+0.0001	987 - 988	0.9989	0.9986	-	-					
razii	- CHA	0.9285	-0.0036	280 - 290	0.9300	0.9280	-	-	-	-	-	-	
anada	(CS)	1.3816	+0.0003	813 - 818	1,3830	1.3759	1.3832	-1.4	1.3863	-1.4	1.4042	-1.8	82
	Pesch	3.4039		024 - 054	3.4054	3,4000	3,4049	-0.4	3.4087	-0.3	3,4141	-03	-
ISA	(3)						4		-		-		96.
acific/Middle		-			_	_	_	_	_	_	_	_	-
ustralia	(A\$)	1.3583	_O 0052	578 - 587	1.3609	1.3557	1,3586	-0.2	1.3593	-0.3	1.3666	-0.8	86.
long Kong	6-E(2)	7.7250		245 - 255	1.7255		7.7248	0.0	7.7255	0.0	7.7405	-02	-
ong rung Idia	(Rsi	31.3688		650 - 725	31.3725		31.4538	-33	31.5988	-29	1.1400	~~~	
8080	(0)	98.7600		200 - 000	99.5500		98.585	24	98.13	28	95.815	3.0	150
talaysia	(M\$)	2.5935		930 - 940		2.5930	2.5843	4.3	2.573	3.2	2.6465	-20	100
ew Zeoland		1.6618		611 - 625	1.8858		1.6827	-0.7	1.6646	-0.7	1,8699	-0.5	
	(NZS)	26.3500		000 - 000	26.7000		1.0027	-0.7	1.0040	-4.7	1.0039	-0.3	
hlippines	(Peso)			502 - 505			9 7517	-04	2 7550	-0.6	9 77/4	-06	
audi Arabis	(SFI)	3.7504			3.7505		3.7517		3.7558		3.7744		
ingapore	(55)	1.5106		101 - 111		1.5101	1.5093	1.1	1,5074	0.9	1.5008	0.7	
Africa (Com.)		3.6798		790 - 805	3.6890	3.6882	3.6953	-5.1	3.7236	-4.8	3.8003	-3.3	•
Africa (Fin.)	(FI)	4.5200		100 - 300		4.5100	4.5537	-9.0	4.6125	-8.2			
outh Korea	(Won)	805.450		400 - 500	805,500		808.45	-4.5	811.95	-32	830.45	-3.1	•
BiNY2M	(TŠ)	26.6300		800 - 800	26.6800		26.65	-0.9	26.69	-0.9	-	-	
hellend	(50)	24,9700	-0.01	600 - 800	24,9900	24.9600	25.0425	-3.5	25.17	-32	25.65	-27	

		·				
EMS EU	ROPEAN	CURRE	HCY UN	IT RATES	3	
Jul 20	Ecu cen.	Rate against Ecu	Change on day	% +/- from cen. rate	% apread v weakest	Diw. ind.
Netherlands	2.19672	2.15126	+0.00276	-2.07	4.68	-
Belgium	40.2123	39.5145	+0.0496	-1.74	4.33	13
Germany	1.94964	1.91807	+0.00254	-1.62	4.20	-
Ireland	0.809628	0.800975	-0.002244	-0.95	3.50	6
France	6.53883	6.57489	+0.00173	0.55	1.95	-5
Deranark.	7.43679	7.53009	+0.00194	1.25	1.25	-8
Portugal	192.854	197.241	· +0.108	2.27	0.24	-15
Speln	154.250	158.131	-0.037	2.52	0.00	-18
NON ERM ME	MBERS					
Greece	264.513	289.873	+0.278	9.59	-8.45	-
italy	1793,19	1915.77	-12,37	6.84	-4.04	-
UK	0.786749	0.789555	-0.001367	0.38	215	-
Edu central rates						
Percentage chen ratio between her for a currency, er Ecu central ratio. (17/9/92) Starting	ges are for Scu to agreeds: the not the maximum and hafen Line	a positive chan percentage differ n permitted perc a suspended from	ge denotes a v ence between : entage deviatio i EFML Adjustin	reak currency. Di the actual marks in of the currency tent culculated to	Prorgence show It and Ecu cerb y's market rate	n the of rates from its
Percentage chen ratio between he for a currency, as Ecu central rate. (17/9/92) Starting	ges are for Scu to agreeds: the not the maximum and hafen Line	c a positive chan percentage differ a permitted perc a suspended from \$ OPTIONS 2	ge denotes a v ence between : entage deviatio i EFML Adjustin	realt currency. Diseactual marks on of the currency ment culculated to a per pound)	Prorgence show It and Ecu certs y's market rate by the Financial	n the of rates from its
Percentage chemisto between the for a currency, or Ecu central rate. (17/9/92) Starting PHILADEL Strike	ges are for Sco o spreads: the ad the maximum and Raffan List PHIA SE £/	c a positive chan percentage differ n permitted perc a suspended from \$ OPTIONS E - CALLS	ge denotes a v ence between : entage deviatio n EFML Adjustin 31,250 (cents	real: currency. Di the actual marks or of the currency tent calculated to a per pound)	transfer show the and Ecu certs y's market rate by the Financial	n the pair reflect from its Times.
Percentage cheminate between two paties between two para carrency, et acu ceretral sate. (17/9/92) Starting PHELADEL Strike Price	ges are for Eco o spreads: the ord the modimu and haften List PHIA SE 12/ Aug	c a positive chan percentage differ percentage differ permitted percent suspended from \$ OPTIONS £ CALLS Sep	ge denotes a vence between a vence between a contage deviation a EFML Adjuster 31,250 (cents ————————————————————————————————————	reak currency. Di the actual marks on of the currency nent calculated to a per pound) Aug	trangence show t and Ecu certs y's madet rate y the Financial PUTS	n the self reflect from its Times.
Percentage chemistic between the ratio between the rationary, as Ecu central rate. (17/9/92) Starting III PHSLADEL. Strike Price 1.475	ges are for Eco o spreads: the not the modernu and Refer List PHIA SE 2/ Aug 8.80	c a positive chan percentage differ permitted perc a suspended from \$ OPTIONS £ CALLS Sep 6.96	ge denotes a verse between a verse between a contage deviation a EFML Adjuster 31,250 (cents ————————————————————————————————————	seek currency. Differ actual marks on of the currency nent culculated to a per pound) Aug	regence show t and Ecu cerb y's market rate by the Financial PUTS ————————————————————————————————————	a the rates from its Times.
Percentage chemistic between two for a currency, as Ecu central rate. (17/9/82) Starting PHSLADEL Strike Price 1.475 1.600	ges are for Ecc o spreads: the organization and the maximum and Ruffen List PHIA SE 2/1 Aug 8,80 4,47	c a positive chan percentage differ percentage differ permitted percentage percentage suspended from \$ OPTIONS £ CALLS Sap 6.96 4.93	ge denotes a vence between a contage deviation a EFML Adjusted 31,250 (cents) Oct 7.27 5.36	seek currency. Diffee actual marks an of the currency nent calculated to a per pound) Aug 0.16	transpence show transfer comb y's market rate y' the Financial UTS Sep (0.30 (0.00)	a the rates from its Times.
Parentings chain ratio between his for a currency, as Ecu central rate, (17/9/82) Starting PHSLADEL Strike Price 1.450 1.525	ges are for Sc. o spreads: the not the constitute and helical List PHIA SE 2/ Aug 8.80 4.47 2.51	c a positive chan permitted differ permitted perc a suspended from COPTIONS S CALLS Sep 6.96 4.93 3.19	ge denotes a verue between to entege deviation in EPML Adjustin 31,250 (cents) Oct 7,27 5,36 3,73	reals currency. Differences of the currency of the currency of the currency or the currency of	rergence show t and Ecu certs y's madet rate y' the Financial UTS Sep (0 0.30 (0 1.43 2	a the rates from its Temes. Oct 0.84
Percentage chan ratio between the for a currency, or Sourcestal state (1779/92) Starting III PHSLADIEL Strike Price 1.475 1.500 1.525 1.550	ges are for Sc. o grander the organization of the mentions and Raffen List PHEA SE 2/ Aug 8,80 4,47 2,51 1,09	c a positive chan percentage differ in permitted perc a suspended from S OPTIONS £ - CALLS Sap 6.96 4.93 3.19 1.88	ge denotes a varior between 1 seringe deviation in EFML Adjuster 31,250 (cents)	reak currency. Dithe actual marks on of the currency or of the currenc	Temperoe show t and Esu cerb i's maket rate by the Financial UTS Sep (0.30 C) 0.30 C) 0.69 11 1.43 2.256 3	a the sal refer from its Times. Dict
Percentage chain ratio between the lor a currency, at Eou central rate. (17/9/92) Starling # PHILADEL Strike Price 1.475 1.500 1.525 1.550 1.575	ges are for So; o spreads; the of spreads; the of spreads; the of spreads; the office of sp	c a positive chan petrontage diffier in permitted perc a suspended from \$ CPTIONS £ CALLS —— Sep 6.96 4.93 3.19 1.88 1.01	ge denotes a versus between is entre between is entre deviation in EFML Adjuster 31,250 (cents	eat currency. D the actual marke or of the currency tent calculated to a per pound) Aug 0.16 0.54 1.71 3.43	Torgenos show the and Esu certification of the control of the certification of the certificat	a the self refer from its Times. Det 20 1.04 1.18 1.72
Percentage chain ratio between being a currency, as Economics sele. (1779782) Sterling PHILADEL Strike Price 1.475 1.590 1.525 1.590 1.500	ges are for Son o spreads: the or spreads: the of the modernum and Refer List PHEA SE 2/4 Aug 8.80 4.47 2.51 1.09 0.37 0.07	c a positive char percentage differ in permitted perc a suspended from \$ OPTRONES 2 - CALLS Sep 6.96 4.93 3.19 1.88 1.01 0.50	ge denotes a verse between i error between i error between i 1 EFML Adjustin 31,250 (cents Oct 7.27 5.36 3.73 2.49 1.56 0.91	reak currency. De la currency of the currency	tergence shows a real few certs and Esu certs are real few certs and few certs are real few certs a	in the self release from its Temes. Oct 1.20 1.04 1.18 1.72 1.54
Percentage chain ratio between the lor a currency, at Eou central rate. (17/9/92) Starling # PHILADEL Strike Price 1.475 1.500 1.525 1.550 1.575	ges are for Son o spreads: the or spreads: the of the modernum and Refer List PHEA SE 2/4 Aug 8.80 4.47 2.51 1.09 0.37 0.07	c a positive char percentage differ in permitted perc a suspended from \$ OPTRONES 2 - CALLS Sep 6.96 4.93 3.19 1.88 1.01 0.50	ge denotes a verse between i error between i error between i 1 EFML Adjustin 31,250 (cents Oct 7.27 5.36 3.73 2.49 1.56 0.91	reak currency. De la currency of the currency	tergence shows a real few certs and Esu certs are real few certs and few certs are real few certs a	in the self release from its Temes. Oct 1.20 1.04 1.18 1.72 1.54

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LONDO	n Moi	NEY R	ATE\$				
Jul 20		Over-	7 days	One	Three	Slx	One
		night	notice	month	months	months	year
interbank Ste	ning	6¼ - 4	515 - 51 ₈	5½ - 5	5 ¹ 4 - 5 ¹ 9	5½ - 5½	Gla -
Steading CDs		-	-	54 - 431	54 - 54	53 - 54	534 - 6
Treasury Bills	ı	•	-	43 - 43	443・443		-
Bank BBs Local authort	h. dana	415 413	- 417	44 - 43	5 - 412	5 <u>%</u> - 5 <u>%</u>	-19 -
Obscount Mar		42 - 412 6 - 5	4월 - 4월 5월 - 5월	516 - 412	5/6 - 4/8	5% - 5¼	5월 - 8
O-OOOLIN MILE	Oaps	4-5	04 - 3-8	-	•	•	-
UK clearing t	ank base	lending rat	e 5¼, per c	ent from Fel	bruery 8, 19	94	
			Up to 1	1-3	3-6	6-9	9-12
			month	month	months	months	month
Certs of Tax	dap. (£10	4000,0	112	4	334	34	312
Certs of Tex d	ap. under £	100,000 is 1	^l gpc. Deposi	ls withdrawn	for caseh ¹ epo		_
Ave. tender mi	a of discou	nt 4.9379nc	ECCO feed	cate Stic. Exc	ort Finance.	بحاء جدر مشابلا	June 30,
1994. Agreed r period Jun 1, 1	ate for peri	od Jul 28, 19	884 to Aug 2	3, 1994, Sche	wee 7 ¥ €	44pc Refere	nce rate i
		8 JUL 1984, 1	PERMITTED IV (A A 2-18/00C	resence Hou	sa Kasa figir	P PABE IN
July 1, 1984							
July 1, 1984							
July 1, 1984							
July 1, 1984							
July 1, 1984	KONTH S	TERLING	FUTURES	(UFFE) 25(20,000 poin	ts of 100%	·
July 1, 1984	Open	TERLING Sett price		(UFFE) 256 High	20,000 poin	ts of 100% Est. vol	
July 1, 1984 THREEL	Open 94.58	Sett price 94.55	Change -0.02	High 94.58	Low 94.54		Open i
July 1, 1984 THREEL S Sep Dec	Open 94.58 93.98	Sett price 94.55 93.92	-0.02 -0.05	High 94.58 94.00	Low 94.54 93.90	Est. vol 9276 22435	Open i 10902 13902
July 1, 1984 III THARGER III Sep Dec Mar	Open 94.58 93.98 93,42	Sett price 94.55 93.92 93.38	-0.02 -0.05 -0.07	High 94.58 94.00 93.45	Low 94.54 93.90 93.35	Est. vol 9278 22435 8058	Open i 10902 13902 67956
July 1, 1984 THREEL II Sep Dec Mar Jun	Open 94.58 93.98 93.42 92.91	Sett price 94.65 93.92 93.36 92.82	-0.02 -0.05 -0.07 -0.08	High 94.58 94.00 93.45 92.92	Low 94.54 93.90	Est. vol 9276 22435	Open i 10902 13902 67956
July 1, 1984 THREEL II Sep Dec Mar Jun	Open 94.58 93.98 93.42 92.91	Sett price 94.65 93.92 93.36 92.82	-0.02 -0.05 -0.07 -0.08	High 94.58 94.00 93.45 92.92	Low 94.54 93.90 93.35	Est. vol 9278 22435 8058	Open i 10902 13902 67956 51413
July 1, 1984 THREEL II Sep Dec Mar Jun	Open 94.58 93.98 93.42 92.91	Sett price 94.65 93.92 93.36 92.82	-0.02 -0.05 -0.07 -0.08	High 94.58 94.00 93.45 92.92	Low 94.54 93.90 93.35	Est. vol 9278 22435 8058	Open i 10902 13902 67956
July 1, 1984 THREEL II Sep Dec Mar Jun	Open 94.58 93.98 93.42 92.91	Sett price 94.65 93.92 93.36 92.82	-0.02 -0.05 -0.07 -0.08	High 94.58 94.00 93.45 92.92	Low 94.54 93.90 93.35	Est. vol 9278 22435 8058	Open i 10902 13902 67956
July 1, 1984 THERESE B Sep Dec Mar Jun Traded on API	Open 94.58 93.98 93.42 92.91 f. All Open	Sett price 94.65 93.92 93.38 92.82 Interest liga	-0.02 -0.05 -0.05 -0.07 -0.08 are for pre	High 94.58 94.00 93.45 92.92 Wous day.	Low 94.54 93.90 93.35 92.81	Est. vol 9278 22435 8058 2903	Open i 10902 13902 67956
July 1, 1984 THREEE B Sep Dec Mar Jun Truded on API	Open 94.58 93.98 93.42 92.91 f. All Open	Sett price 94.65 93.92 93.38 92.82 Interest liga	-0.02 -0.05 -0.05 -0.07 -0.08 are for pre	High 94.58 94.00 93.45 92.92 Wous day.	Low 94.54 93.90 93.35 92.81	Est. vol 9278 22435 8058 2903	Open i 10902 13902 67956
Sep Dec Market III THREEE III Sep Dec Mar Jun Traded on API III SHORT 9	Open 94.58 93.98 93.42 92.91 (. All Open	Sett price 94.55 93.92 93.38 92.82 Interest liga 2 CPTION	Change -0.02 -0.05 -0.07 -0.08 are for pre	High 94.58 94.00 93.45 92.92 wious day.	Low 94.54 93.90 93.35 92.81	Est. vol 9278 22435 8058 2903	Open i 10902 13902 67956
Sep Dec Mar July 1, 1984 Sep Dec Mar July 1 Traded on API SHIGHT 9 Strike	Open 94.58 93.98 93.42 92.91 (. All Open STEPE SH	Sett price 94.66 93.92 93.38 92.82 Interest figs	-0.02 -0.05 -0.07 -0.08 are for pre	High 94.58 94.00 93.45 92.92 Wous day.	Low 94.54 93.90 93.35 92.81	Est. voi 9278 22435 8058 2903	Open i 10902 13902 67956
Sep Dec Mer July 1, 1984 Sep Dec Mer July 1 Traded on API SHORT 9 Strike Price 9450	Open 94.58 93.98 93.42 92.91 (. All Open Sep 0.14	Sett price 94.66 93.92 93.38 92.82 Interest figs	Change -0.02 -0.05 -0.07 -0.08 are for pres	High 94.58 94.00 93.45 92.82 vious day. 500,000 poi	Low 94.54 93.90 93.35 92.81 ints of 1009	Est. voi 9278 22435 8058 2903 FPUTS Dec 0.66	Open i 10902 13902 6795i 51412 Mer 1.21
Sep Dec	Open 94.58 93.98 93.42 92.91 f. All Open Sep 0.14 0.03	94.65 94.65 93.92 93.38 92.82 Interest liga CPTION O.0	Change -0.02 -0.05 -0.07 -0.08 are for pres	High 94.58 94.00 93.45 92.92 Wous day. 500,000 po	Low 94.54 93.90 93.35 92.81 Ints of 1005 Sep 0.08	Est. voi 9278 22435 8058 2903 PUTS — Dec 0.66 0.87	Open i 10902 13902 6785 51412 Mer 1.21 1.43
Sep Dec Mar July 1, 1984 Sep Dec Mar July 1 Traded on API SHORT 9 Strike Price 9459 9475 9500	Open 94.58 93.98 93.42 92.91 F. All Open Sep 0.143 0	94.65 93.92 93.38 92.82 93.82 92.82 partnerest liga 0.00 0.00 0.00	Change -0.02 -0.05 -0.07 -0.08 are for pre	High 94.58 94.00 93.45 92.82 vious day. 500,000 po	Low 94.54 93.90 93.35 92.81 ints of 1009 Sep 0.08 0.23	Est. voi 9278 22435 8058 2903 FUTS Dec 0.66 0.87	Open i 10902 13902 6795i 51413 Mer 1.21 1.43 1.88
Sep Dec Mar July 1, 1984 Sep Dec Mar July 1 Traded on API SHORT 9 Strike Price 9459 9475 9500	Open 94.58 93.98 93.42 92.91 F. All Open Sep 0.143 0	Sett price 94.65 93.92 93.38 92.82 92.82 interest liga CAPTION 0.0	Change -0.02 -0.05 -0.07 -0.08 are for pre	High 94.58 94.00 93.45 92.82 vious day. 500,000 po	Low 94.54 93.90 93.35 92.81 ints of 1009 Sep 0.08 0.23	Est. voi 9278 22435 8058 2903 FUTS Dec 0.66 0.87	Open i 10902 13902 6795 5141: Mer 1.21 1.43 1.88
Sep Dec Mar July 1, 1984 Sep Dec Mar July 1 Traded on API SHIGHT 9 Strike	Open 94.58 93.98 93.42 92.91 F. All Open Sep 0.143 0	Sett price 94.65 93.92 93.38 92.82 92.82 interest liga CAPTION 0.0	Change -0.02 -0.05 -0.07 -0.08 are for pre	High 94.58 94.00 93.45 92.82 vious day. 500,000 po	Low 94.54 93.90 93.35 92.81 ints of 1009 Sep 0.08 0.23	Est. voi 9278 22435 8058 2903 FUTS Dec 0.66 0.87	Open i 10902 13902 6795i 51413 Mer 1.21 1.43 1.88
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St Helena Gold Mines Limited Registration number 05/20743/06

Orvx Gold Holdings Limited Registration number 69/01900/06

(Both companies incorporated in the Republic of South Africa)

Joint announcement to shareholders

On 30 September 1993 it was announced that initial rest development values at the Oryx mine were inadequate to support meaningful gold production and hence the expected contribution towards funding requirements from this source would not materialise. As a result, up to R900 million of additional funds could be required to finance the mine to

On 20 December 1993 it was announced that the technical parameters used to determine the continued viability of the project would be reviewed in-house and independently audited by external consultants. The reviews and audits of both the geological model and mining plans for Oryx confirmed that values towards the north-east would improve steadily and that with minor changes the mining plan would meet revised production targets. Both Gengold management and the external consultants concurred that the funding shortfall inclusive of R433 million finance costs would indeed approach P900 million.

Discussions with the major shareholders and bankers of Oryx Gold Holdings (OGH) are at the point where it would now be possible to finance the mine to break-even. However, development is only beginning to penetrate those areas to the north and east where better values are expected. Given the importance of this increase in exploration information. which is expected during the next few months, it is appropriate to delay re-linancing OGH until the values in the vicinity of boreholes 1781 to the north, and ST16 to the east. are known. Gencor has undertaken to provide short lenn bridging funds of about R25 million per month for OGH to cover working costs at Onyx mine and interest payments of the R525 million of bank loans during this period.

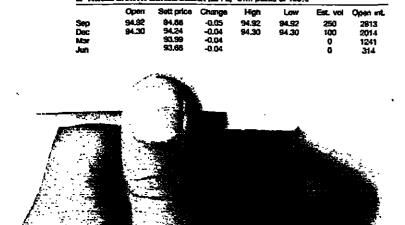
Johannesburg



MERRILL LYNCH EQUITY/CONVERTIBLE SERIES 69, Roote D'Esch L-2953 Lax

NOTICE TO SHAREHOLDERS

As from 15th July 1994 a redemption of the Shares of the Merrill Lys Shares - LATIN AMERICA PORTFOLIO and of the Merrill Lynch Equi DRAGON PORTFOLIO will no longer be subject to the redemption



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94.92 94.30

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STOCK MARKETS | Property 2.2. About 188 +2.00 1 189 +2. Is this your own Categor Demonstration Or do you rely on seeing someone else's? Every doing business every day, in and from Europe. We cover the latest European, U.S. and inter-US INDICES finance in the FT. Mexico IPC (Nov 1976) 3978.36 (31/1/94) 37.48.31 3753.43 3753.81 **3878.38** 3593.35 1957.33 20/4 00 189KI S3 19007 R3 2547040 16/2 No surprise then, that the Financial Times is Methodand CBS TufanGendind 83) CBS AL Shr (End 83) 1503.13 1601.96 1882.29 (2/2) 182.90 183.23 227.96 (3/1) 1546.02 (20/4) 176.71 (24/6) 1882.29 (2/2/94) 256.46 (31/8/93) 12.32 (8/7/32) 10.50 (8/4/32) other publication.* 1945.51 11/7 Morway Oelo SE¢rol)(2/1/83) 980.91 21/6 1428.51 1424.84 1415.65 **1542.8**5 9/2 438.02 (449) 510.05 (21/4) 41.39 (4/4) 462.00 (27294) (683.50 (27294) 48.40 (2879.63) 45.22 451.73 462.00 (27) 530.44 528.97 563.59 (27) 45.32 45.00 46.54 (1478 60 3841,65 3881,42 3879,59 18/3 60 4300,14 4199,83 4609,90 23/3 64 1967,09 1963,52 2182,86 1/2 E328 44 251.95 287.71 (2/2) To. Gillian Hart, Financial Times (Europe) GmbH, Nibelungenplatz 3, 641318 Frankfurt/Main, Germany.

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3dgisso 991.20) (1/1/91) Brazil Bovespa *(2*9/12/63) 287.71 4.46 \$27.90 (25.442) 487.80 22.31 \$22.90 (9.12.72) \$03.95 54.87 (16.23.94) (31/10.72) 243.14 (444) 422.67 (2849) 283.79 (246) Dev est (371/54) 432.59 451.55 467.86 (27) 772.62 721.36 868.53 (18/3) **Firstand** HEX Gampal(28/13/90) Figure SBF 250 (\$1/12/90) Jul 1 2.79 Jun 28 2.49 23.10 Jul 8 2,74 Jul 6 Yeer ego 2.95 757.51 27/6 21/9.39 27/6 1988.82 25/6 2289.20 2278.50 2392.50 2465.50 25 2138.65 2129.79 2098.19 2271.11 165 III STANISARD AND POORS 500 INDEX PUTURES \$500 times index **An**es SE(31/12/80) High Low Est. vol. Open Int. 455.20 454.50 40,295 203,320 - 473 12,400 - 383 2,796 Open Latest Change 454.85 454.50 -0.35 3654.00 5/1 CHOSS-BORNER Eurotept (10028/1098) 1367.56 1361.71 1346.11 1540.19 31/1 Euro Top-100 (28/880) 1189.89 1189.22 1187.29 1311.01 22 J.Capellogre (31/12/88) 44 311.79 313.11 385.19 5/1 Berings Emerg (71/82) 157.55 158.71 159.49 182.72 142 MEW YORK ACTIVE STOCKS Stocker Comm traded price of 4,402,900 35%; 3,809,200 36%; 42,603,100 17%; 2,256,800 30%; 2,257,500 46%; 42,274,500 30%; 2,122,300 53%; 1894.14 1/7 SED CHARGE AVIORS Comptiq Chase Man Signet Bank Pronocie Popeico Rec Motospla Wal-Mort Pronoci Co A T & T E CAC-40 STOCK BIDEX FUTURES (MATIF) Open SettPrice Change High LDW Est. vol. Open int. 2067.0 2047.0 2063.5 2065.0 2071.5 2063.5 -18.0 2075.0 -18.5 2082.0 -18.0 2094.0 2035.0 26,351 30,960 2046.5 - 958 2054.0 2,968 25,313 20780.76 30775.16 20717.84 21582.81 136 302.22 302.08 302.29 311.71 136 1664.93 1664.30 1895.01 1712.73 136 231.55 2519.38 2506.01 2502.88 67 2,857 1,118 1,001 740 51 40 17360.74 4/1 288.22 4/1 1445.02 4/1 1 Correction. * Calculation at 15.00 GMT. © Excluding bonds. 2 Industrial, plus Utilizes, Prescript and Trans § The DJ Intil. Index theoretical day's highs and lose are the exemples of the highest entil towest prices read stock, whereas the actual day's highs and lose are the exemples of the highest and towest prices read stock, whereas the actual day's highst and lose supplied to Telebrary represent the highest and towest values during the day (The sigures in bracials) are previous day's). § Subject to official read-objects If you ever get the urge to make something other than money, make sure you've got a Pulse. Because only Pulse has got a limit alert facility, which means you need never feel exposed again. When your self set limits are breached your Pulse will let you know, keeping you fully au that with the up's and down's of the market Telecom

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Financial



Dow turns lower in response to Greenspan

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US stocks suffered a setback yesterday morning when the chairman of the Federal Reserve said he could not rule out an early move to tighter money, writes Frank McGurty in New York.

By 1 pm, the Dow Jones Industrial Average was 13.92 lower at 3,734.39, while the more broadly based Standard & Poor's 500 was down 1.91 at

Volume on the New York SE was modest, with 156m shares exchanged by early afternoon. Declining issues led advances by 1,278 to 678.

In the secondary markets, the American SE composite was off a scant 0.87 at 433.03 and the Nasdaq composite buckled 5.86 to 713.46.

For at least a week the market had anticipated yesterday's congressional testimony by Mr Alan Greenspan, the Fed chief. When he finally delivered his twice-annual Humphrey-Hawkins briefing half an hour after trading began, the tone and substance of his remarks were

a surprise. He said the central bank was still uncertain whether credit conditions were sufficiently tight to snuff out inflationary pressures in the economy. He added that a further lifting of interest rates was still "an

open question". With the prospect of a fresh period of uncertainty over monetary policy, the bond market went into decline. By midday the price of the benchmark 30-year government issue was down nearly a point, even though the Commerce Department released data suggesting a cooling of the housing sector.

lowed bonds to sharply lower levels, but managed to recover somewhat in the late morning. Cyclical issues led the retreat.

with Caterpillar off \$2 at \$1074. The overall weakness was complicated by the flood of corporate results which continued to pour into Wall Street. In general, investors were unimressed by good performances and unforgiving to under-

Sears Roebuck, for one, handily beat the consensus forecast by posting net income of \$1.27 a share in the second quarter, but its share price, up \$% at \$46%, hardly budged Compaq Computer failed to

please even though its quarterly net income was a little better than forecast. The stock shed \$1% to \$32 in heavy volume of 4.4m shares amid concern over the company's high inventory levels.

Similarly, McDonnell Douglas, the defence contractor, disappointed investors even though it matched expectamarked down \$3% to \$115%. Bearishness claimed Pfizer

as a victim, too. The pharmaceuticals house warned that its full-year results could fall short of early estimates. In response, the stock fell \$2% to \$59%. Schering-Plough was down \$1 at \$61.

International Game Technology was a big loser after posting net income of 30 cents a share, an unpleasant surprise to most analysts. The issue gave back \$1% to \$20%.

On the Nasdaq, a drop in technology shares triggered earlier in the week showed no signs of abating. Shares in Lotus Development, which lost 14.5 per cent of their value on Tuesday, receded a further 5 per cent, or \$1% to \$31%.

Canada

worries about the outlook for inflation, and the TSE 300 index lost 26.00 at 4,174.20 in volume of 23.1m shares.

Declining issues outpaced advances by 107 to 57, with 82 stocks unchanged. Of Toronto's 14 sub-groups,

11 had lost ground at noon. Precious metals was the only group to post strong gains, up 98.98 at 9,507.24. Franco-Nevada advanced C\$1 to C\$69% after reporting stronger first-quarter

Among other indices, financial services shed 53.74 to 2,970.43, while communications and media sank 81.94 to 8,527.84. In active stocks, Canadian Tire class "A" was up C\$% at C\$10% on 2m shares dealt and Telus gained C\$¼ at C\$15% on 1.2m shares. Alcan Aluminium rose C\$% to C\$33%

Mexican shares opened weaker in slack trading as investors stayed out of the market on expectations of weak corporate

The IPC index of 37 shares fell 9.21 to 2,246.09. Traders said that investors had not been unduly upset by the rise in domestic interest rates at the weekly auction. The benchmark 28-day Treasury bill rose 56 basis points to 17.66 per cent.

Turnover was 1.9m shares valued at 15.7m pesos. Telmex accounted for 729,500 shares of the volume. Its "L" shares were down 0.64 per cent in the local market, while the "A" stock had not yet traded. Telmex ADRs in New York

Johannesburg finds late support in industrials

South African shares found late support to lift industrials off their lows, but most investors remained wary about short term prospects.

The overall index added 31 at 5,579 as it found support from De Beers and Anglos. The industrial index finished 2 firmer at 6,359 and the gold shares index retrieved 18 at 2,113 following Tuesday's 61-point fall.

De Beers advanced R1.75 to R109.75 and Anglos R6 to R239 amid steady demand. Minorco slipped 50 cents to R106.50 and Riche-

mont managed a R1 gain to R38. SAB climbed off a mid-afternoon low to close a net 25 cents down at R85.75 and Barlows firmed 25 cents to R31.75. Iscor continued to tread water at R4 after recent hefty gains, and Sasol improved 25 cents to R27.50.

EN	ERGING	MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES												
Market	No. of stocks	July 15 1994	Dollar terms % Change over week	% Change on Dec '93	July 15 1994	% Change over week	y terms % Change on Dec '90							
Latin America	(209)	611.70	-0.1	-6.0										
Argentina	(25)	882.86	+1.5	-11.2	541,744.17	+1.5	-11.2							
Brazil	(57)	280.51	+0.8	+20.5	1,049,603,340	+0.8	+932.9							
Chile	(25)	658.48	+2.0	+19.3	1,105,66	+1.5	+16.0							
Colombia ¹	(11)	960.14	+0.4	+48.9	1,399.17	+0,7	+50.9							
Mexico	(68)	822.18	-1.2	-18.3	1,206.41	-1.1	-10.6							
Peru²	(11)	135.15	+1.1	+11.7	181.40	+1.3	+14.1							
Venezuela³	(12)	522.90	+2.8	-11.7	2,043.53	+2.8	+43.8							
Asia	(557)	245.40	+2.9	-15.7	-	_								
China ⁴	(81)	90.84	+9.0	-39.1	99,22	+8.9	-39.5							
South Korea ⁸	(156)	128.89	+0.2	+9.1	136,61	+0.3	+8.6							
Philippines	(18)	265.43	+1,4	-22.0	332.11	-1.0	-25.2							
Talwan, China ^a	(90)	145.71	+4.2	+7.8	145.83	+4.5	+9.0							
India ⁷	(76)	133.03	1.1	+14.2	147.11	+1.1	+14.2							
Indonesia"	(37)	97.53	+1.1	-21.8	114.88	+1.0	-19.3							
Malaysia	(105)	267.73	+3.1	-21,0	258.35	+3.0	-23.9							
Pakistan ^y	(15)	391.93	-0.3	+1.0	543,21	-0.4	+2.8							
Sri Lanka ^{ro}	(5)	182.54	+1.0	+3.0	195,12	+0.9	+2.2							
Theiland	(55)	383.85	+5.8	-19.6	380,57	+5.6	-21.2							
Euro/Mid East	(125)	115.29	+5.2	-31.9										
Greece	(25)	215.24	-2.2	-5.5	344,30	-2.2	-10.5							
Hungary ^{ri}	(5)	187.16	+1.4	+12.3	225.53	+1.4	+11.7							
Jordan	(13)	159,25	-1.0	-3.8	227.69	-1,0	-4.9							
Poland ¹²	(12)	655.93	+11.4	-19.8	925,86	+11.4	-16.1							
Portugal	(25)	116.59	+4.1	+2.5	128.24	+4.1	-7.2							
Turkey ^{ra}	(40)	113.63	+9.9	-46.6	1,641 <i>.2</i> 6	+9.9	+12.8							
Zimbabwe ^w	(5)	236.35	-1.0	+17.0	280.74	-1.0	+31.4							
Composite	(891)	311.50	+1.6	-12-4										

indices are culculated at end-week, and weekly changos are percentage movement from the previous Friday. Base date: Dec 1980-16 which are: (1966 1 1991; (2)Dec 31 1982; (3)Jan 5 1990; (4)Dec 31 1992; (3)Jan 3 1992; (5)Jan 4 1891; (7)Nov 6 1982; (8)Sep 28 195

FT-ACTUARIES WORLD INDICES

Greece remains a problem, in spite of a below average decline in dollar terms over the year to date. James Capel, commenting on the market in its latest quarterly survey, notes that with modest economic growth projected for 1994 and 1995, and high real interest rates, the prospects for corporate earnings, excluding the banking sector, "do not enter well?"

The broker is forecasting earnings per share growth of 9.5 per cent for 1994, rising to 11 per cent in the year following, "but much will depend upon the government's ability to tackle basic economic issues which, quite apparently, it is not doing at the moment". For these reasons they recommended a "generally underweight position" in Greece, while highlighting the construction sector as having the ability to go against the trend.

Bourses ease after Fed chief's comments

The testimony given by Mr Alan Greenspan, chairman of the US Federal Reserve, had a negative impact on the afternoon performance of continental European markets.

FRANKFURT was a case in ohnt. After a modest rise in the Dax index of 9.82 to 2,138.65, post-bourse trading brought the level down to 2.120.97. Attention was also being

concentrated on today's meet-

ing of the Bundesbank - the last before a four-week summer recess. James Capel thought that a cut was unlikely, in spite of the encouraging M3 data which was released earlier in the week. This view was supported by UBS which, in a comment put out before the M3 data was available, remarked that while further headline cuts were imminent, this week was probably too early, and suggested instead that it expected the discount rate to be down to 4 per

The chemicals sector again made forward strides: BASF

rose DM4.70 to DM308.50 and

cent by September. James Capel went one step further the discount, it thought, would be down to 3.75 per cent by the first quarter of 1995.

ted half-year sales, and the SMI index finished 40.7, or 1.6 per cent, higher at 2,562.3 after some late weakness in the dollar had pulled the market back from its best levels.

Nestlé moved ahead SFr41 to SFr1,144 in response to news of its flat first-half sales which came after the market closed on Tuesday: some analysts had been expecting a 1 to 2 per cent

Roche certificates, which weighed on the market last week, continued to regain ground, adding SFr110 at SFr5,410. Elsewhere in the sector, Ciba bearers rose SF121 to SFr760 and Sandoz bearers put on SFr20 at SFr688.

Ascom, the telecommunications concern, appreciated SFr60 to SFr1,650, although traders commented that the rise was exaggerated by relatively thin volume. PARIS was slightly easier, although it recovered from the

lows of the session. The CAC-40 index was 8.61 softer at 2,043.72 after touching 2,027.26. Turnover was FFr4.3bn.

A substantial rise, nearly 11 per cent, was noted in Mou-

Bayer by DM2.50 to DM356. ZURICH was spurred ahead by Nestle's better than expec-FT-SE Actuaries Share Indices THE EUROPEAN SERIES 10.30 11.00 12.00 13.00 14.00 15.00 Closs House changes FT-SE Eurotrack 100 1365.37 1365.54 1369.82 1373.47 1374.46 1372.84 1370.84 1367.58 FT-SE Eurotrack 200 1467.56 1467.52 1411.20 1414.37 1413.82 1413.89 1409.84 1407.57 Jul 18 Jul 15 Jei 14 Jul 13 1337.33 1374.18 1348.02 1382.05 1404.54

> linex, the consumer electricals group, following a number of brokers' recommendations, and on hopes of an earnings recov-

> In contrast, Thomson CSF dipped FFr6.10 to FFr162.50 as suffered a downgrade from one US house. AMSTERDAM attained the

400 level for a brief moment, before sliding back later, and the AEX index finished the session down 1.82 at 397.80. While the overall tone was weaker, some good gains were

evident. Philips, for example, firmed Fl 1.00 to Fl 76.70, with investors noting that a Taiwan group in which it has a 40 pe cent stake had announced that it was to float stock.

Among other good gainers, Unilever went Fl 2.00 ahead to Fl 187.20 and Royal Dutch Fl 1.90 up to Fl 195.50.

MADRID dipped late in the day as profit-takers used Mr Greenspan's comments to cash in on nine days of rising prices in the market. The General index slipped 1.52 to 304.40 in volume of about Pta 32bn. Asturiana del Zinc fell Pta 20

to Pta 1.310 after Banesto placed 2.98m shares, 9.67 per cent of the share capital, at Pta 1,350. Telefónica slid Pta 55, or 3 per cent, to Pta 1,790. Merrill

Lynch has reduced its profits estimates for this year and 1995 in response to proposals for rebalancing tarriffs, which are expected to be confirmed by parliament tomorrow.

MILAN continued its recovery as the political clouds cleared, and the Comit index advanced 11.67, or 1.7 per cent.

to 716.50. Telecommunications issues

continued to draw attention. Sip rose L90 to L4,495 and Stet was L10 higher at L5,476. Robert Fleming Securities, which maintains a positive view of the stocks, commented that both were 10 to 15 per cent undervalued and added that the forthcoming Telecom Italia could look forward to rapid profits growth on a moderate

growth in sales.

Among industrials, Flat rose
L126 to L6,810 and Olivetti was LA2 higher at L2,516.

Banking stocks remained at the centre of attention in the wake of BCI's announcement on Tuesday that it planned to launch a L2,360bn cash call on August 18, which prompted expectations that Credito Italiano would follow suit.

BCI rose L85 to L4,728 and Credito put on L47 at L2,269. WARSAW tumbled 9.1 per cent, giving up all the sharp gains of the previous two sessions, as profits were taken although fresh buying interest during the order matching session was seen to signal a prompt rebound.

The Wig index dropped 1,056.6 to 10,608.5.

Written and edited by John Pitt

Nikkei little changed despite yen's decline

Tokyo

Selling by corporate investors eroded morning gains, and the Nikkei index closed almost flat in spite of the yen's decline against the dollar, writes

Emiko Terazono in Tokyo. The Nikkei 225 average was finally a slight 5.60 up at 20.780.76 after setting a day's high of 20,872.37 in the morning and a low of 20,736.95 in the

Arbitrage buying led by strength in the futures market and purchases by public funds supported shares in early trading, but most investors failed to participate and the index moved in a narrow range after receding on profit-taking.

Volume was 310m shares, against 260m. Domestic financial institutions were buying in the morning for public pension funds, while overseas investors were largely inactive.

The Topix index of all first section stocks put on 1.19 at 1,665.49 and the Nikkei 300 gained 0.13 at 302.22. Rising issues narrowly outscore declines by 484 to 473, with 227 stocks unchanged. In London the ISE/Nikkei 50 index ended 2.12 firmer at 1,354.59.

Some investors selected smaller shares backed by individual news, or those seen as laggards. The second section climbed 12.17 to 2,531.55 in volume of 21m shares, a threeweek high. Many brokers do not expect equity prices to move over the summer months. "There will not be any significant earnings news now until September, or until Toyo ta's results are announced in August," reported James Capel

in Tokyo. Nihon Nosan Kogyo, the agro-feed maker, advanced Y17 to Y549 on reports that the company had developed a product which could lower blood

Telecommunication linked stocks were higher on hopes of profits from the nextneration portable telephone DDI, the long distance telecom operator, rose Y110,000 to Y9.6m on the second section. The company was also supported by hopes of increased buying following its 10-for-one stock split on August 2.

Kyocera, DDI's leading shareholder, moved abead Y70 to Y7,500, while Nippon Tele-The Hang Seng index gained a graph and Telephone added net 43.81 at 9,188.82, having Y4,000 at Y854,000.

Fuji Electric appreciated Y10 to Y598 on buying by foreign brokers, while Kumagai Gumi, the contractor, firmed a marginal Y1 to Y527.

Large-capital issues were lower on profit-taking, with Nippon Steel, the day's most active stock, easing Y1 to Y341 and Mitsubishi Heavy Industries dipping Y8 to Y796.

In Osaka, the OSE average edged forward 1.97 to 23,205.81 in volume of 32.3m shares.

Roundup

Foreign demand helped some Pacific Rim markets ahead. HONG KONG finished modestly higher after profit-taking had pulled the market back

from its best level of the day.

earlier touched 9,322.72.

Further foreign institutional demand was reported for blue chips, but local funds and retail investors continued to take profits and unwind long

SYDNEY rebounded from lows to finish fractionally ahead as investors awaited Mr Alan Greenspan's testimony before the US Congress.

Volatile futures and lacklustre performances in some other markets dragged the All Ordinaries index to an intraday low of 2,060.7, but it later recovered to end 1.3 firmer at 2,078.6 in cautious trade.

WELLINGTON was spurred 1.3 per cent ahead in high volume which indicated active investment from overseas. The NZSE-40 Capital index climbed

27.23 to 2,054.94 in NZ\$75.5m

SINGAPORE regained some momentum, after two slack days, on the back of renewed orders for blue chips by institutional funds in Hong Kong, the US and Britain. The Straits Times Industrial index rose 26.45 to 2.231.37. KUALA LUMPUR saw for-

eign demand for blue chips which took the composite index up 10.52 to 1,009.72. Gains were led by Genting, which firmed M\$1 to M\$33 ahead of the ex-date for its onefor-two bonus issue on July 28.

BANGKOK rose in active trade, mainly on expectations of healthy first-half results but also on optimism over dollar stability and the possible extension of trading hours from November. The SET

index put on 14.65 at 1,363.59

in active turnover of Bt13.8bn. TAIPEI ended lower on late, heavy profit-taking as investors turned cautious ahead of a central bank board meeting today which raised worries about tighter monetary policy. The weighted index lost 52.09 at 6,474.30, off a 6,590.67 day's

high. Turnover declined to T\$105.95bn from T\$119.02bn. MANILA finished easier after profit-taking in blue chips ended a four-day rally. The composite index shed 5.60 points to 2,663.46, off the day's low of 2,647. Heavy foreign buying in SM Prime Holdings broke the fall at midsession and the retail group jumped 1.7

per cent to 6 pesos. SEOUL declined for the sixth session in a row as a lack of institutional activity took its toll. The composite index lost

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Uzbekneftegas

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have undertaken initial development of

The Bukhara Refinery

Morgan Cuaranty Trust Company acted as financial advisor to Uzbekneftegas in assessing initial development proposals for the refinery project

JPMorgan

November 1993

REGIONAL MARKETSTUESDAY JULY 19 1994						MONDAY JULY 18 1994 DOLLAR										
Figures in parentheses	US	Day's	Pound			Local	Local	Gross	US	Pound			Local			Yeer
show number of lines	Dalkr	Change	Sterling	Yen	DM	Сштепсу	% chg	Div.	Dollar	Sterling	Yen		Currency		52 week	ago
of stock	Index	%	Index	Index	Index	Index	on day	Yleid	index	index	Index	Index	Index	High	_L0wr	(epprox
Australia (68)		0.3	165.46	108.97	140.91	157.85	0.2	3.49	173.53	164.45	107.88	139.19		189.15	138,28	
Austria (17)		0.0	180.27	118.72	153.52		8.0	1.04	189.71	179.78	117.95	152.18		195.41	153,61	
Belgium (37)		0.0	163.91	107,95	139,59		0.8	4.05	172,47	163.45	107.23	138.34	135.30	176.67	143,62	
Canada (106)		-0.2	121.58	80.07	103.53		0.0	2.65	128.20	121.49	79.70	102.83		145.31	120.54	
Denmark (33)	271,24	-0.2	257.81	169.78	219,55		0.6	1.32	271.91	257,68	169.05	218,09		275.79	207,58	
Finland (24)	.159.20	0.4	151.32	99.65	128.86	172.36	1.4	0.82	158.50	150.20	98.54	127.13	170.01	159.20	95.42	97.7
France (97)	.176.95	0.4	168.19	110.76	143.23	148.26	1.2	3.02	176.30	167.07	109.61	141.40	145.47	185.37	150,92	152.7
Germany (58)	145.13	0.3	137,95	90.85	117.47	117.47	12	1,76	144,67	137.10	89.95	116.04	116.04	147.07	112,69	117.0
Hong Kong (56)		-0.7	352.32	232.02	300.03		-0.7	3.23	373.32	353.79	232.10	299.44	370.25	506.56	271.42	
Iroland (14),	200.02	0.4	190.12	125,21	161.91	183.58	0.9	3.32	199.26	188.84	123.88	159.83	181.99	209.33	157.90	
Raly (61)		1.5	82.34	54.22	70.12		22	1.50	85.38	80.91	53.08	68.43		97.78	57.8B	
Japan (469)	.167.58	-0.7	1 59.2 9	104.90	135.65	104.90	-0.1	0.73	168.82	159.99	104,96	135,41	104.96	170.10	124,54	150.8
Mataysia (96)	471.46	-0.5	448.12	295.11	381.61	470.91	-0.5	1.73	473.83	449,13	294.65	380.14	473.47	621.63	332,73	332.7
Mexico (18)		-0.4	1829.45	1204.80	1557.92	7154.01	-0.5	1.87	1931.72	1830.63	1200.98	1549.40	7186.23	2647.08	1516.57	1550.1
Netherland (27)		0.3	197.19	129.86	167.93	165.21	1.1	3.44	206.83	196.01	128.59	165.90	163.44	207.46	165.15	167.1
New Zealand (14)	67.90	-0.2	64.54	42.50	54.98	60.15	-04	3.98	68.02	84,46	42.29	54,58	60.37	77.59	51.62	51.6
Norway (23)		-1.4	194.29	127.95	165.45	189.03	-0.6	1.75	207.35	198.50	128.91	166.31	190.23	207.35	156.74	
Singapore (44)		-0.2	325.91	214.83	277.54	238.71	-0.1	1.37	343.48	325.50	213.55	275.50	239.02	378,92	247.05	
South Africa (59)		-2.0	272.51	179.46	232.06	283.56	-0.7	2.23	292,64	277.33	181.94	234.72	285.60	292.64	175.93	
Spain (42)		-0.4	136.71	90.03	116.42		0.3	4.12	144.39	136.83	89.77	115.81	139.52	155.79	116.33	
Sweden (36)	215.95	0.1	205.26	135.17	174.80		0.2	1.63	215.69	204.41	134.10	173.01	245.39	231.35	168.75	
Switzerland (47)	156.63	-0.2	149.18	98.23	127.02	127.74	0.7	1.90	157.20	148.97	97.73	126.08	126.62	176.56	124.46	
United Kingdom (204)		0.0	186,68	122.84	158.97	186.68	0.3	4.04	196.43	186.15	122.12	157.55	186.15	214.98	172.28	
USA (519)	.185.19	-0.3	176.02	115.92	149.89	185.19	-0.3	2.90	185.73	176.01	115.47	148.97	185.73	196.04	178,95	
RUROPE (720)	.171,68	0.2	163,18	107.48	138.98	153.33	8.0	3.03	171.40	162.43	108.58	137,47	152.14	178.58	143.32	144.8
Nordic (118)	213 96	0.0	203.38	133.93	173.18	207.77	0.4	1.43	214.02	202.82	133.05	171.66	206.86	220.60	160.69	
Pacific Basin (749)	174,75	-0.7	166.10	109.39	141.45	114.51	-0.1	1.04	175,93	166.72	109.38	147.11	114.62	175.86	134.79	
EuroPacific (1489)	173.33	-0.3	184.75	108.50	140.29	130.16	0.3	1.87	173.89	164.79	108.11	139.4B	129.82	173.89	143.88	
North America (625)	.181.63	-0,3	172.64	113.69	147.02	181 <i>.2</i> 5	-0.3	2.89	182.16	172.63	113.25	146.11	181.76	192.73	175.67	178.9
Europe Ex. UK (516)	154,52	0.3	145.87	96.72	125.07	133.32	1.1	24	154.11	146.04	95.61	123,60	131.90	157.47	125.09	126.8
Pacific Ex. Japan (260),		-0.3	234.91	154 70	200.05	221.52	-0.3	2.88	247.89	234.62	154.12	198.83	222 29	296.21	184.93	
World Ex. US (1652)	174,15	-0.3	165.52	109.01	140.96	133.40	0.2	1.90	174,78	185.62	108.65	140.17	133.09	174.76	145.58	
World Ex. UK (1967)	174,88	-0.4	166.22	109.47	141.55	145.92	0.0	205	175.53	166,34	109.13	140.79	145.88	175.58	155.98	
World Ex. So. Al. (2112)	.176.11	-03	167,39	110.24	142.55	145.63	0.1	2.24	176.66	157.42	109.83	141.70	148.53	178.56	158.54	160.0
World Ex. Japan (1702)		-0.1	174.90	115.18	148.94	175.22	0.1	2.92	184.29	174.65	114.58	147.82	175.D4	195.20	168.51	167.3
The World Index (2171)	176.79	-0.3	168.04	110.66	143.10	149.63	0.1	2.24	177.38	168,10	110.28	142.27	149.55	178.97	158.85	